

Town of Lebanon, Connecticut

State & Federal Compliance Audit

June 30, 2010

Stephen T. Hopkins, CPA, PC

Auditing , Accounting , and Consulting Services

Town of Lebanon, Connecticut

June 30, 2010

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Auditing , Accounting , and Consulting Services

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Independent Auditors' Report

Board of Finance
Board of Selectmen
Town of Lebanon , Connecticut

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Lebanon , Connecticut, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Lebanon , Connecticut's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Single Audit Act (C.G.S. Sections 4-230 to 236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management accounts for teacher's summer salaries and town hall fiscal year ending payrolls on the cash basis of accounting in the general fund and , accordingly have not recorded a liability and corresponding expenditures for these items as of and for the year ended June 30, 2010. Accounting principles generally accepted in the United States of America require the modified accrual basis of accounting to be followed in the preparation of the financial statements. The proper recording of teacher summer salaries would have increased the liabilities and decreased the fund balance amount of the general fund by approximately \$998,208 and total expenditures would have increased by approximately \$23,390. The proper recording of town hall fiscal year ending payroll would have increased the liabilities and decreased the fund balance amount of the general fund by approximately \$35,923 and total expenditures would have increased by approximately \$4,029.

In our opinion, except for the effects of accounting for teacher's summer salaries and town hall fiscal year ending payrolls on the cash basis of accounting in the general fund as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund of the Town of Lebanon , Connecticut, as of June 30, 2010, and the respective changes in financial information and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the town construction projects fund, the capital and non-recurring fund, and the Trumbull investments fund, the discretely presented component unit, and the aggregate remaining fund information of the Town of Lebanon , Connecticut, as of June 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2010, on our consideration of the Town of Lebanon , Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lebanon , Connecticut's financial statements as a whole. The combining and individual fund financial statements, and other supplementary information as listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act, and is also not a required part of the financial statements. The combining and individual non-major fund financial statements, the schedule of expenditures of federal awards and the schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards general accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Stephen T. Hopkins, CPA, PC

Stephen T. Hopkins, CPA, PC

November 5, 2010

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2010

Our discussion and analysis of the Town of Lebanon, Connecticut's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2010. Please read this analysis in conjunction with the basic financial statements, notes to the basic financial statements, and required supplementary information of the Town. This management discussion and analysis is being presented for the current fiscal year with a focus on the comparative analysis of the information on the governmental activities of the Town as found in the government-wide financial statements.

Financial Highlights - Government-wide financial statements

- The Town's total assets exceeded its total liabilities by \$38,287,573 (net assets) as of the end of the current fiscal year. This compares to the prior fiscal year when total assets exceeded total liabilities by \$37,805,509 as restated. This represents a favorable increase of approximately 1.28%.
- The Town's invested in capital assets, net of related debt net asset balance is used to account for the total capital assets of the Town reduced by the total accumulated depreciation on those assets, reduced by the total outstanding debt incurred to purchase those assets. The total invested in capital assets, net of related debt net asset balance of the Town was \$31,181,108 (81.45% of total net assets) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$30,543,463 (80.79% of total net assets). This represents an increase of approximately 2.09% which is the result of a decrease in the related debt of \$1,061,983, current depreciation in the amount of \$1,483,356 and current net capital asset additions in the amount of \$1,059,018. These fixed asset addition were made up in part of \$811,747 of infrastructure upgrades and maintenance costs and \$115,625 for the purchase of a new public works plow truck and accessories.
- The Town's restricted net assets are used to account for funds received with constraints imposed by grantors and contributors. These net assets *cannot* be used to finance the day-to-day activities and operations of the Town. The total restricted net asset balance of the Town was \$2,536,444 (6.62% of total net assets) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$2,558,857 (6.76% of total net assets). This represents a decrease of approximately .88%. This decrease is due in part to a decrease in long-term accounts receivable of \$302,432 and a current year increase in the fair value of restricted investments of \$90,542.
- The Town's unrestricted net asset balance is the component of net assets which is used to finance the day-to-day activities and operations without constraints imposed by creditors, grantors, contributors, or other rules and regulations as imposed by other governments or enabling legislation. The total unrestricted net asset balance of the Town was \$4,570,021 (11.93% of total net assets) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$4,703,189 (12.45% of total net assets) as restated. This represents an unfavorable decrease of approximately 2.83%.
- The Town's total revenues for its governmental activities were \$26,078,843 for the current fiscal. This compares to the prior fiscal year balance of \$25,463,029 as restated. This represents an increase of approximately 2.42% or \$615,814. This is due in large part to the current year net change in the fair market value of investments. The current year change was a positive \$89,349 while the prior year change was a negative \$364,427. The change in these two balances equaled \$453,776. In addition, property tax revenues increased by \$268,071 due to both a higher annual commitment and a higher then anticipated collection rate.
- The cost of the Town's governmental activities was \$25,596,779 for the current fiscal year. The amount of these costs ultimately financed by general revenues of the Town, however, was only \$14,258,715 due to a portion of these costs being paid for by individuals receiving certain benefits through charges for services in the amount of \$2,084,863, and through operating and capital grants received from the State (state and federal dollars) in the amount of \$9,253,201. This amounts to approximately 55.71% of the cost of these governmental activities actually being financed by the general revenues of the Town. This compares to approximately 55.26% of the cost of the governmental activities of the Town being financed by the general revenues of the town for the prior fiscal year. The individual breakdown of how these charges for services and operating and capital grants where received by department for the current fiscal year is shown on Statement B on page 11.
- The Board of Education and the related programs of the Town received approximately \$1,099,087 in grant dollars from a number of sources including State grant funds and Federal pass-through grant funds to assist in a number of educational programs and projects from school renovations, the school lunch program, to improving basic programs, to enhancing education through technology. This compares to approximately \$1,366,092 in the prior fiscal year. These revenue amounts represent the amounts recorded by the Town in the fund financial statements. The amounts shown in the government-wide financial statements have been adjusted for unearned amounts which are recorded as deferred revenues on the Statement of net assets.

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2010

Using this annual report

This annual report consists of a series of financial statements. The government-wide financial statements consist of the Statement of net assets and the Statement of activities which are shown on pages 10 and 11 and which provide information about the activities of the Town as a whole and present a longer-view of the Town's finances. The fund financial statements consist of the Balance Sheet and the Statement of revenues, expenditures, and changes in fund balances which are shown on pages 12 and 14 and tell how the services of the Town were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide financial statements by providing information about the Town's most significant funds. Budget to actual information is reported in these fund financial statements for the general fund on pages 16 and 17. The remaining statement provides financial information about activities for which the Town acts solely as a trustee or agent for the benefit of groups outside of the Town. These statements report the fiduciary activities of the Town of which the Town only operates in an agency fund capacity.

Reporting the Town as a whole

Our analysis of the Town as a whole begins on page 10 with the Statement of net assets. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the current fiscal years activities?" The statement of net assets and the statement of activities report information about the Town as a whole and about its activities in a way that helps answer this question. The statement of net assets includes all of the assets and liabilities of the Town using the accrual basis of accounting. This basis of accounting is similar to the accounting policies and procedure utilized by most private-sector (for profit) companies. All of the current fiscal year revenues and expenses are taken into account regardless of when cash is received or paid in the statement of activities.

These two statements report the Town's net assets and the changes in these net assets. You can think of these net assets as one way to measure the financial health and financial position of the Town. The net asset balance is made up of the difference between the assets and liabilities of the Town. Over time, increases and decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. However, you also need to consider other non-financial factors which affect the overall financial health of the Town such as changes in the property tax base, the conditions of the infrastructure of the Town, and the general economy present at the time. These two statements are divided into governmental activities and the discretely presented component unit. The Town's activities are classified solely as governmental activities and are characterized as follows:

- Governmental activities - All of the Town's basic services are reported here, including general government, public safety, public works, health recreation and social services, community preservation, education, and other unclassified programs and activities. Property taxes, charges for services, State and Federal operating and capital grants and other funding, and other miscellaneous revenues finance most of these activities in whole or in part.

Reporting the Town's most significant funds

Our analysis of the Town's major funds begins on page 12 with the Balance sheet. The fund financial statements provide detailed information about the most significant funds of the Town but not a combined picture of the Town as a whole. Some of these funds are required to be established by State law and by bond covenants. In addition, the Board of Finance of the Town has the authority to establish many other funds which it uses to help control and manage money for particular purposes (such as the community center or recreation commission) or to show that it is meeting legal responsibilities for using certain taxes, grants, or other money (such as the grant revenue received and expended in the town bridge projects fund). The Town uses governmental funds which are characterized as follows:

- Governmental funds - All of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end that are available for spending. These funds are reported using a current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting measures cash and all other financial assets that can readily be converted into cash. The governmental fund financial statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs and activities. The relationship between governmental activities and governmental funds is presented in a reconciliation at the bottom of the fund financials.

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2010

The Town as a trustee

Fiduciary fund reporting focuses on net assets and changes in net assets. Fiduciary funds are used by the Town to report assets held in a trustee or agency capacity for other groups and therefore cannot be used to support the Town's own programs. The type of fiduciary funds for which the Town is the trustee are agency funds which are characterized as follows:

- Agency funds are used by the Town to report resources held by the Town or resources under the tax identification number of the Town and the Board of Education. These resources are held in a purely custodial capacity in which assets equal liabilities. These funds are typically characterized by the receipt, temporary investment, and remittance of the fiduciary resources of other individuals, student groups, private organizations, or other governments.

The Town as a whole - Assets, liabilities, and net assets

The information provided below represents government-wide information for the governmental activities of the Town for the current fiscal year as compared to the prior fiscal year. As shown below the Town maintains a high current ratio. The current ratio compares the current assets of the Town to its current liabilities and gives an indication of the Town's ability to pay current obligations. As of the end of the current fiscal year the current ratio of the Town was 3.68 to 1 compared to the end of the prior fiscal year when the current ratio was 3.04 to 1. This ratio is considered very strong. Another indication of the Town's ability to meet its current obligations with current assets is called its working capital. This is calculated by subtracting the current liabilities from the current assets. As of the end of the current fiscal year the Town's positive working capital balance was \$4,455,028. This compares to the prior fiscal year positive balance of \$4,162,622. This represents a favorable increase of approximately 7.02%.

	Governmental Activities		Percentage of Total	
	2010	2009	2010	2009
Current assets	\$ 6,117,336	\$ 6,199,087	13.58%	13.61%
Other assets	2,634,387	2,649,835	5.85%	5.80%
Capital assets	36,283,933	36,708,271	80.57%	80.59%
	<u>\$ 45,035,656</u>	<u>\$ 45,557,193</u>	<u>100.00%</u>	<u>100.00%</u>
Current and other liabilities	\$ 1,662,308	\$ 2,036,465	24.63%	26.27%
Long-term liabilities outstanding	5,085,775	5,715,219	75.37%	73.73%
	<u>\$ 6,748,083</u>	<u>\$ 7,751,684</u>	<u>100.00%</u>	<u>100.00%</u>
Net assets:				
Invested in capital assets, net of debt	\$ 31,181,108	\$ 30,543,463	81.45%	80.79%
Restricted	2,536,444	2,558,857	6.62%	6.76%
Unrestricted	4,570,021	4,703,189	11.93%	12.45%
	<u>\$ 38,287,573</u>	<u>\$ 37,805,509</u>	<u>100.00%</u>	<u>100.00%</u>
Restricted net assets:				
Expendable:				
Long-term accounts receivable	\$ 100,106	\$ 402,538		
Prepaid items	21,013	17,006		
Inventories	11,787	10,675		
Community development projects	640,015	455,657		
	<u>772,921</u>	<u>885,876</u>		
Non-expendable:				
Restricted investments	1,450,638	1,360,096		
Principal balance of permanent funds	312,885	312,885		
	<u>1,763,523</u>	<u>1,672,981</u>		
	<u>\$ 2,536,444</u>	<u>\$ 2,558,857</u>		

Town of Lebanon, Connecticut
Management's Discussion and Analysis
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The Town as a whole - Revenues, expenses, and changes in net assets

The information provided below represents government-wide information for the governmental activities of the Town for the current fiscal year as compared to the prior fiscal year. The revenues and expenses shown below are recorded on the accrual basis of accounting. Program revenues received by the Town specifically relating to or generated by individual departments are applied to the departmental expenditures to determine the amount and percentage of total Town expenditures actually financed by the general revenues of the Town. This amount and percentage is shown at the bottom of this schedule and should be used to give the reader an indication of how the Town's activities were financed during the current fiscal year in comparison to the prior fiscal year. The comparison of expenses shown below indicates that the general make-up of the Town's spending by department as a percentage of total spending was consistent for the current fiscal year in comparison to the prior fiscal year.

	Governmental Activities		Percentage of Total	
	2010	2009	2010	2009
Program revenues				
Charges for services	\$ 2,084,863	\$ 2,443,270	7.99%	9.59%
Operating grants	8,953,671	8,832,931	34.33%	34.69%
Capital grants	299,530	115,838	1.15%	0.45%
General revenues				
Property taxes, interest, and liens	14,059,291	13,791,220	53.91%	54.16%
State property tax relief revenues	80,909	115,642	0.31%	0.45%
Other unclassified state revenues	-	-	-	-
Net change in the fair value of investments	89,349	-364,427	0.34%	-1.41%
Interest and dividends	68,223	120,138	0.26%	0.47%
Miscellaneous	443,007	408,417	1.71%	1.60%
Total revenues	<u>26,078,843</u>	<u>25,463,029</u>	<u>100.00%</u>	<u>100.00%</u>
Expenses				
General government	814,338	907,562	3.18%	3.56%
Public safety	586,081	531,130	2.29%	2.09%
Public works	1,131,226	1,259,921	4.42%	4.95%
Health & social	754,487	649,798	2.97%	2.55%
Community preservation	217,433	190,808	0.85%	0.75%
Education	19,385,913	19,381,814	75.72%	76.11%
Education - on behalf	1,328,591	1,293,341	5.19%	5.08%
Unclassified and program	747,429	587,988	2.92%	2.31%
Capital outlay	-	-	-	-
Depreciation	394,837	376,148	1.54%	1.48%
Debt service:				
Interest	236,444	286,431	0.92%	1.12%
Total expenses	<u>25,596,779</u>	<u>25,464,941</u>	<u>100.00%</u>	<u>100.00%</u>
Change in net assets	482,064	-1,912		
Net assets - July 1	<u>37,805,509</u>	<u>37,807,421</u>		
Net assets - June 30	<u>\$ 38,287,573</u>	<u>\$ 37,805,509</u>		
Expenses financed by general revenues:				
Total expenses	\$ 25,596,779	\$ 25,464,941		
Less charges for services	-2,084,863	-2,443,270		
Less operating grants and contributions	-8,953,671	-8,832,931		
Less capital grants and contributions	-299,530	-115,838		
	<u>\$ 14,258,715</u>	<u>\$ 14,072,902</u>	<u>55.71%</u>	<u>55.26%</u>

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2010

Capital assets

The capital assets of the Town include land, land improvements, buildings, building improvements, vehicles, equipment, and infrastructure assets that are used in the operations of the Town and that have an initial useful life extending beyond a single fiscal year. Infrastructure assets are long-lived capital assets that are normally stationary in nature and can normally be preserved for a significantly greater number of years than most capital assets. The types of infrastructure assets recorded by the Town include but are not limited to improved town roads, unimproved town roads, and bridges. The infrastructure assets shown below include the current and prior fiscal year expenses of the Town for improvements to roads within the Town recorded at their actual historical cost or estimated historical cost when the actual costs were not available. More detailed information on the capital assets of the Town can be found in note 1L on page 23 and note 5 on page 28.

	Governmental Activities		Percentage of total	
	2010	2009	2010	2009
Land and improvements	\$ 1,896,289	\$ 1,896,289	2.85%	2.90%
Buildings and improvements	35,767,406	35,748,369	53.83%	54.67%
Vehicles	3,446,477	3,330,852	5.19%	5.09%
Equipment	694,486	673,646	1.04%	1.03%
Infrastructure	24,005,051	22,523,547	36.13%	34.45%
Construction in progress	633,673	1,211,661	0.96%	1.86%
Total historical value	66,443,382	65,384,364	100.00%	100.00%
Less accumulated depreciation	-30,159,449	-28,676,093		
Total capital assets (net)	<u>\$ 36,283,933</u>	<u>\$ 36,708,271</u>		

Debt administration

The debt of the town includes long-term bonds and notes, and capital leases payable in addition to accrued compensated absences (accumulated vacation and sick time) and accrued landfill post-closure care costs. All long-term debt is incurred through the approval of the inhabitants of the Town in accordance with applicable state statutes. The comparison of the outstanding debt shown below indicates that the general make-up of the Town's different types of debt as a percentage of total debt was consistent for the current fiscal year in comparison to the prior fiscal year. The portion due within one year for bonds, notes, and capital leases payable decreased by approximately 21.18% as a result of the variations between payment schedules and more specifically due to one of the outstanding bonds for which the portion due within one year decreased from \$420,000 in the prior fiscal year to \$200,000 in the current fiscal year. This decrease is simply based on the bonds amortization payment schedule. The portion due after one year decreased by approximately 16.40% as a result of the annual payments made on the individual bonds, notes, and capital leases. More detailed information on the debt of the Town can be found in note 6 starting on page 29.

	Governmental Activities		Percentage of total	
	2010	2009	2010	2009
Bonds, notes, capital leases payable:				
Portion due within one year	\$ 837,012	\$ 1,061,983	15.72%	16.49%
Portion due after one year	4,265,813	5,102,825	80.14%	79.21%
Accrued compensated absences - school	77,619	90,109	1.46%	1.40%
Accrued compensated absences - town	30,312	63,354	0.57%	0.98%
Accrued landfill post-closure costs	112,131	123,631	2.11%	1.92%
Total debt	<u>\$ 5,322,887</u>	<u>\$ 6,441,902</u>	<u>100.00%</u>	<u>100.00%</u>

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2010

The previous sections of this management discussion and analysis have been presented for the current fiscal year with a focus on the comparative analysis of the information on the governmental activities of the Town as found in the government-wide financial statements. Comparative financial information has not been included for the fund financial statements of the Town. The following financial highlights, however, do relate to the balances and results of the activities of the Town's individual funds as found in its fund financial statements. Detailed current year information on the Town's individual funds can be found on the Balance Sheet on page 12 and the Statement of Revenues, Expenditures, and Changes in Fund Balances on page 14.

Financial highlights - Fund financial statements

- The total assets of the Town's governmental funds exceeded the total liabilities by \$7,272,965 which represents the fund balance of these funds as of the end of the current fiscal year. This compares to the prior fiscal year when total assets exceeded total liabilities by \$6,745,514 as restated, a favorable increase of approximately 7.81% or \$527,451. This favorable increase is due mostly to the net results of the town's major funds. The town construction projects fund increased by \$140,999 as a result of annual town appropriations to the fund, while the capital non-recurring fund increased by \$26,251 mostly the result of funds received from the Lebanon Volunteer Fire Department in the amount of \$19,145 and the Trumbull investments fund which increased by \$89,488. These increases and other fund changes can be seen by reviewing Statement D on page 14 and the corresponding combining schedules and sub-schedules as shown in the table of contents.
- The total revenues of the Town's governmental funds were \$26,554,307 for the current fiscal year in comparison to \$25,976,710 as restated in the prior fiscal year. This represents an increase of approximately 2.22% or \$577,597. This is due in large part to the current year net change in the fair market value of investments. The current year change was a positive \$89,349 while the prior year change was a negative \$364,427. The change in these two balances equaled \$453,776. In addition, property tax revenues increased by \$292,507 due to both a higher annual commitment and a higher than anticipated collection rate.
- The total expenditures of the Town's governmental funds were \$26,026,856 for the current fiscal year in comparison to \$26,740,708 in the prior fiscal year. This represents a decrease of approximately 2.67% or \$713,852. This decrease is made up of a number of increases and decreases within the funds of the Town. The town construction fund decreased its expenditures by \$1,102,254 due to the completion of the senior center construction project. Within the general fund, the education expenditures increased by \$473,215 as a result of a higher budget and higher incurred expenditures.
- The net change in fund balance (excess or deficiency of revenues over-under expenditures) for the Town's general fund was a positive \$56,645 for the current fiscal year in comparison to a positive \$226,357 for the prior fiscal year. This represents an unfavorable decrease of approximately 74.98% and relates in part to the following selected budgetary highlights from the current and prior fiscal year.
- The actual revenues received in the Town's general fund were \$167,322 lower than the budget revenues for the current fiscal year which is an unfavorable variance in comparison to \$141,491 lower for the prior fiscal year which was also an unfavorable variance. During the current fiscal year the actual school tuition revenue received was \$193,156 lower than the budgeted amount in comparison to \$14,599 lower for the prior fiscal year. The actual revenue amounts received from the State for education cost sharing and other related revenues were \$36,314 lower than the budgeted amount in comparison to \$115,622 lower for the prior fiscal year. In addition, during the current fiscal year the amount received for interest and dividends was \$48,240 lower than the budgeted amount in comparison to \$31,343 lower in the prior fiscal year.
- The actual program expenditures in the Town's general fund were \$279,039 lower than the budgeted expenditures for the current fiscal year which is a favorable variance in comparison to \$392,073 lower than the budgeted expenditures for the prior fiscal year which was also a favorable variance. This current fiscal year under expenditure can be attributed in large part to the board of education which was \$99,178 under budget, the medical life insurance account which was \$70,446 under budget, the snow removal account which was \$25,416 under budget and the solid waste facility account which was \$14,734 under budget.
- In the current fiscal year, the inhabitants of the Town approved the use of \$60,000 of its general undesignated fund balance as a supplemental appropriation to be transferred to the capital and non-recurring fund to fund the asbestos abatement project at the library. This in effect is the same as budgeting for a loss due to the fact that prior year accumulated balances cannot be shown as current year revenues. In the prior fiscal year, the inhabitants of the Town approved the use of \$25,143 of its undesignated fund balance in this same manner.

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2010

Discretely presented "component unit"

The financial reporting entity consists of the primary government and its component units, organizations for which the primary government is financially accountable or for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

The Town has determined that the Lebanon Volunteer Fire Department meets the definition of a component unit due to its fiscal dependence on the Town and the nature and significance of their relationship. For a legally separate entity to be considered fiscally independent it must, among other things, have the authority to determine its budget without the primary government having the authority to approve and modify that budget. The Town approves a certain amount of money on an annual basis to be appropriated to the Department to fund a portion of its operations. During the current fiscal year this amount was appropriated for the fire fighting operations of the Department. Although this amount was labeled as being appropriated for the fire fighting operations of the Department, once the amount has been received it may be physically used for any purpose the Department deems necessary for its operations as a whole. Though the Town does not directly have the authority to approve or modify the budget of the Department, it does indirectly do this by deciding the amount that it will or will not appropriate on an annual basis. In addition, the fire safety complex, fire trucks and ambulances used by the Department are purchased by the Town. This also creates a level of fiscal dependence due to the fact that the Department could not function in its current capacity without this assistance. In addition to the level of fiscal dependence between the Town and the Department, the nature and significance of the relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This component unit has been treated as a discretely presented component unit in accordance with the provisions of GASB Statement No. 14 as amended by Statement No. 39. The financial information of the Department has been included in the government-wide statement of net assets and statement of activities.

Economic factors and next year's budgets and rates

The Town believes it has steadily maintained a sufficient unrestricted net asset and undesignated fund balance to sustain the governmental activities and operations for an estimated two month period of time. The Town sees this trend continuing through future fiscal years. In addition, the Town has recently completed a revaluation of assessed values of property located within the Town. This revaluation is expected to reduce the effective mil rate, however, the amount of the cost of the total governmental activities financed by taxpayers is expected to be comparable to prior fiscal years.

Contacting the Town's financial management

This financial report is designed to provide a general overview of the Town's finances, comply with finance-related laws and regulations, and demonstrate the Town's commitment to public accountability. If you have questions about this report or need additional financial information, contact the Town Finance Department at 579 Exeter Road, Lebanon, Connecticut 06249.

Town of Lebanon, Connecticut

Statement of net assets

June 30, 2010

	Governmental activities	Component unit
Assets:		
Current assets:		
Cash	\$ 4,796,961	\$ 508,899
Investments	24,818	-
Accounts receivable	986,337	-
Current portion of long-term accounts receivable	269,992	-
Tax acquired property	6,428	-
Inventories	11,787	-
Prepaid items	21,013	-
Total current assets	<u>6,117,336</u>	<u>508,899</u>
Capital assets		
Non-depreciable	2,529,962	-
Depreciable (net)	33,753,971	-
Total capital assets	<u>36,283,933</u>	<u>-</u>
Other assets		
Restricted cash	471,064	-
Restricted investments	1,450,638	-
Long-term accounts receivable	100,106	-
Notes receivable	612,579	-
Total other assets	<u>2,634,387</u>	<u>-</u>
Total Assets	<u>\$ 45,035,656</u>	<u>\$ 508,899</u>
Liabilities:		
Accounts payable	\$ 428,899	\$ 18,763
Accrued payroll	21,390	-
Other liabilities	80,819	-
Deferred revenues	294,188	-
Long-term debt		
Portion due within one year	837,012	-
Portion due after one year	4,265,813	-
Accrued compensated absences	107,931	-
Accrued landfill post closure care cost	112,131	-
Other post-employment benefit liability	599,900	-
Total liabilities	<u>6,748,083</u>	<u>18,763</u>
Net assets:		
Invested in capital assets, net of related debt	31,181,108	-
Restricted		
Expendable	772,921	-
Non-expendable	1,763,523	-
Unrestricted	4,570,021	490,136
Total net assets	<u>38,287,573</u>	<u>490,136</u>
Total liabilities and net assets	<u>\$ 45,035,656</u>	<u>\$ 508,899</u>

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of activities
For the year ended June 30, 2010

		Program Revenues			Net (expenses) revenues and changes in net assets	
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary governmental activities	Component unit
Primary government:	Expenses					
Governmental activities:						
General government	\$ -814,338	\$ 90,838	\$ 2,692	\$ -	\$ -720,808	\$ -
Public safety	-586,081	51,509	6,746	-	-527,826	-
Public works	-1,131,226	114,775	188,492	-	-827,959	-
Health & social	-754,487	64,863	34,168	-	-655,456	-
Community preservation	-217,433	13,084	28,820	-	-175,529	-
Education	-19,385,913	1,746,619	6,846,406	-	-10,792,888	-
Education - on behalf	-1,328,591	-	1,328,591	-	-	-
Unclassified and program	-747,429	3,175	517,756	-	-226,498	-
Capital outlay	-	-	-	299,530	299,530	-
Depreciation						
General infrastructure	-394,837	-	-	-	-394,837	-
Debt service						
Interest	-236,444	-	-	-	-236,444	-
	<u>\$ -25,596,779</u>	<u>\$ 2,084,863</u>	<u>\$ 8,953,671</u>	<u>\$ 299,530</u>	<u>-14,258,715</u>	<u>-</u>
Component unit:						
Volunteer fire department	<u>\$ -279,922</u>	<u>\$ 121,129</u>	<u>\$ 90,000</u>	<u>\$ -</u>	<u>-</u>	<u>-68,793</u>
General revenues:						
Property tax revenues, interest, and liens					14,059,291	-
State property tax relief revenues					80,909	-
Other unclassified state revenues					-	-
Net change in fair value of investments					89,349	-
Interest and dividends					68,223	7,941
Miscellaneous					443,007	49,291
Total general revenues					<u>14,740,779</u>	<u>57,232</u>
Change in net assets					<u>482,064</u>	<u>-11,561</u>
Net assets - July 1					38,642,506	-
Prior period reclassification					-501,697	501,697
Prior period adjustment					-335,300	-
Net assets - July 1 - Restated					<u>37,805,509</u>	<u>501,697</u>
Net assets - June 30					<u>\$ 38,287,573</u>	<u>\$ 490,136</u>

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Balance sheet - Governmental funds
June 30, 2010

Assets	General fund	Town construction projects	Capital & nonrecurring fund	Trumbull investments fund	Non-major governmental funds	Total government funds
Cash	\$ 2,803,948	\$ -	\$ 494,522	\$ -	\$ 1,969,555	\$ 5,268,025
Investments	24,818	-	-	1,443,595	7,043	1,475,456
Receivables (net of allowance)						
Property taxes	494,968	-	-	-	18,509	513,477
Intergovernmental	-	-	-	-	26,130	26,130
Other	442,161	-	-	-	4,569	446,730
Notes receivable	-	-	-	-	612,579	612,579
Tax acquired property	6,428	-	-	-	-	6,428
Inventories	-	-	-	-	11,787	11,787
Prepaid items	21,013	-	-	-	-	21,013
Due from other funds	2,130,457	11,641	397,142	-	655,560	3,194,800
Total assets	\$ 5,923,793	\$ 11,641	\$ 891,664	\$ 1,443,595	\$ 3,305,732	\$ 11,576,425
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ 388,985	\$ -	\$ 10,836	\$ -	\$ 29,078	\$ 428,899
Accrued payroll	21,390	-	-	-	-	21,390
Other liabilities	77,240	-	-	-	3,579	80,819
Deferred property tax revenues	413,686	-	-	-	18,509	432,195
Deferred other revenues	145,357	-	-	-	-	145,357
Due to other funds	1,062,814	768,146	-	-	1,363,840	3,194,800
Total liabilities	2,109,472	768,146	10,836	-	1,415,006	4,303,460
Fund balances (deficits):						
Reserved for:						
Permanent fund principal	-	-	-	1,443,595	319,928	1,763,523
Revolving loan fund	-	-	-	-	640,015	640,015
Prepaid items	21,013	-	-	-	-	21,013
Inventories	-	-	-	-	11,787	11,787
Unreserved:						
Reported in general fund	3,793,308	-	-	-	-	3,793,308
Reported in special revenues	-	-	-	-	914,882	914,882
Reported in capital projects	-	-756,505	880,828	-	4,541	128,864
Reported in permanent funds	-	-	-	-	-427	-427
Total fund balances (deficits)	3,814,321	-756,505	880,828	1,443,595	1,890,726	7,272,965
Total liabilities and fund balances	\$ 5,923,793	\$ 11,641	\$ 891,664	\$ 1,443,595	\$ 3,305,732	\$ 11,576,425

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Reconciliation of Statement A to Statement C
for all governmental funds and activities
June 30, 2010

Fund balances of governmental funds as shown on Statement C \$ 7,272,965

Amounts reported for governmental activities in the government-wide financial statements (Statement A) are different than the amounts reported in the fund financial statements (Statement C) and must therefore be modified as follows:

- 1 Capital assets used in governmental activities are not financial resources and therefore are not reported on Statement C however they are reported on Statement A and therefore must be added back in:

Cost	66,443,382	
Less accumulated depreciation	<u>-30,159,449</u>	36,283,933

- 2 The majority of the property tax receivable long-term asset is not available to pay for current period expenditures and therefore it is reported as deferred revenue on Statement C however this amount is considered earned when billed and in turn recorded as revenue on Statement A and therefore must be added back in: 413,686

- 3 Certain state and federal grant revenues received by the Town are recorded as revenue when the amounts are available and measurable in accordance with the modified accrual basis of accounting. In addition, Codification of Governmental Accounting and Financial Reporting Standards section 1600.114 states that in regard to the modified accrual basis of accounting, material revenues received prior to the normal time of receipt should be recorded as deferred revenue. The Town defers all revenues that are received prior to their normal period of receipt. The government-wide financial statements record revenues on the accrual basis of accounting when they have been earned and therefore these revenue amounts are deferred on Statement A and therefore must be subtracted out: -130,322

- 4 Inter fund receivable and payable balances between governmental funds are reported on Statement C but eliminated on the Statement A:

Inter fund receivables	3,194,800	
Inter fund payables	<u>-3,194,800</u>	-

- 5 Long-term liabilities, are not due and payable in the current period and therefore are not reported on Statement C however they are reported on Statement A and must therefore be subtracted out:

Other post-employment benefits liability	-599,900	
Bonds, notes, and capital leases payable	-5,102,825	
Accrued compensated balances	-107,931	
Estimated liability for post closure landfill care	<u>-112,131</u>	-5,922,787

- 6 Amounts expected to be received by the Town from the State for there share of certain long-term liability payments are recorded as revenue when received and when they become available and measurable however these amounts are recorded on Statement A in whole due to the fact that the amounts are viewed to have been earned and therefore they must be added back in: 269,992

- 7 Delinquent interest and lien fees are recorded as revenue when received and when they become available and measurable however these amounts are recorded on Statement A due to the fact that the amounts are viewed to have been earned and therefore they must be added back in: 100,106

Net assets of governmental activities as shown on Statement A \$ 38,287,573

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of revenues, expenditures, and changes in fund balances - Governmental funds
For the year ended June 30, 2010

	General fund	Town construction projects	Capital & nonrecurring fund	Trumbull investment funds	Non-major governmental funds	Total governmental funds
Revenues						
Property taxes, interest, and liens	\$ 14,089,190	\$ -	\$ -	\$ -	\$ 5,365	\$ 14,094,555
Intergovernmental - education	6,172,434	-	-	-	1,099,087	7,271,521
Intergovernmental - on behalf	1,328,591	-	-	-	-	1,328,591
Intergovernmental - tax relief	80,909	-	-	-	-	80,909
Intergovernmental - other	148,890	-	270,276	-	675,619	1,094,785
Tuition	1,473,004	-	-	-	-	1,473,004
Charges for services	263,106	-	1,275	-	347,478	611,859
Net change in investment fair value	-	-	-	88,295	1,054	89,349
Interest and dividends	6,760	-	4,254	49,774	7,435	68,223
Miscellaneous	62,360	-	19,145	-	360,006	441,511
Total revenues	23,625,244	-	294,950	138,069	2,496,044	26,554,307
Expenditures						
Current:						
General government	754,624	-	4,362	-	54,726	813,712
Public safety	375,244	-	50,747	-	7,309	433,300
Public works	1,025,651	-	81,091	-	77,704	1,184,446
Health & social	147,279	-	93,433	-	458,943	699,655
Community preservation	129,162	-	60,084	-	28,187	217,433
Education	16,856,342	-	-	-	1,494,042	18,350,384
Education - on behalf	1,328,591	-	-	-	-	1,328,591
Unclassified and program	376,381	-	13,069	260	551,506	941,216
Capital outlay	-	19,038	732,124	-	14,815	765,977
Debt service:						
Principle	1,055,698	-	-	-	-	1,055,698
Interest	236,444	-	-	-	-	236,444
Total expenditures	22,285,416	19,038	1,034,910	260	2,687,232	26,026,856
Excess (deficiency) of revenues over (under) expenditures	1,339,828	-19,038	-739,960	137,809	-191,188	527,451
Other financing sources (uses)						
Transfers in	4,928	160,037	766,211	-	449,321	1,380,497
Transfers out	-1,288,111	-	-	-48,321	-44,065	-1,380,497
Total other financing sources (uses)	-1,283,183	160,037	766,211	-48,321	405,256	-
Net change in fund balance	56,645	140,999	26,251	89,488	214,068	527,451
Fund balances - July 1	3,757,676	-897,504	877,239	1,354,107	2,155,693	7,247,211
Prior period reclassification	-	-	-22,662	-	22,662	-
Prior period reclassification	-	-	-	-	-501,697	-501,697
Fund balances - July 1 - Restated	3,757,676	-897,504	854,577	1,354,107	1,676,658	6,745,514
Fund balances - June 30	\$ 3,814,321	\$ -756,505	\$ 880,828	\$ 1,443,595	\$ 1,890,726	\$ 7,272,965

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Reconciliation of Statement B and Statement D
for all governmental funds and activities
June 30, 2010

Net changes in governmental fund balances as shown on Statement D		\$ 527,451
Amounts recorded for governmental activities in the government-wide financial statements (Statement B) are different then the amounts reported in the fund financial statements (Statement D) and therefore must be modified as follows:		
1 Capital asset purchases are recorded as expenditures in Statement D and are capitalized and shown as depreciation expense over there estimated useful lives in Statement B. Therefore the following adjustments must be made:		
Current year capital asset purchases to be capitalized	1,059,018	
Current year depreciation expense on current and previous capital assets	<u>-1,483,356</u>	-424,338
2 Property tax revenues are recognized on Statement D as described in note 1H of the notes to the financial statements however property tax revenues are recorded in the full amount of the annual levy in Statement B and therefore the current year adjustment described in note 1H must be added back in or subtracted back out:		-2,550
3 The basis of presentation and revenue recognition is different from the government-wide financial statements shown on Statement B and the fund financial statements shown on Statement D. This difference in revenue recognition policies results in certain revenue amount being recorded in Statement B and deferred in Statement D.		
Prior year deferred revenue amounts to be recognized	112,109	
Current year revenue amounts to be deferred	<u>-130,322</u>	-18,213
4 Inter fund transfers between governmental funds are reported on Statement D but must be eliminated on Statement B:		
Transfers in	1,380,497	
Transfers out	<u>-1,380,497</u>	-
5 Payments on and changes in long-term liabilities are recorded as current year activities on Statement D however they are shown as a reduction in an already established liability account on in the government-wide financial statements and therefore must not be shown as current year activity:		
Other post-employment benefits liability	-264,600	
Bonds, notes, and capital leases payable	1,061,983	
Accrued compensated balances	45,532	
Estimated liability for post closure landfill care	<u>11,500</u>	854,415
6 Estimated accounts receivable for State long-term liability reimbursements and delinquent interest and lien fees are recorded as revenue when received on Statement D and as a reduction in a recorded receivable on the government-wide financial statements and therefore must not be shown as current year activity:		
Long-term account receivable due from the State for long-term liability reimbursement		
Prior year recorded balance	-691,979	
Current year recorded balance	269,992	
Prior year recorded delinquent interest and lien receivable balance	-132,820	
Current year recorded delinquent interest and lien receivable balance	<u>100,106</u>	-454,701
Change in net assets of governmental activities as shown on Statement B		<u>\$ 482,064</u>

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of revenues, expenditures, and changes in fund balance
Budget and actual (Budgetary basis) - General fund
For the year ended June 30, 2010

	Original budget	Budget revisions	Final budget	Actual	Variance
Revenues					
Property tax revenues, interest and liens	\$ 13,955,484	\$ -	\$ 13,955,484	\$ 14,089,190	\$ 133,706
Intergovernmental - education	6,208,748	-	6,208,748	6,172,434	-36,314
Intergovernmental - tax relief	78,592	-	78,592	80,909	2,317
Intergovernmental - other	161,991	-	161,991	148,890	-13,101
Tuition	1,666,160	-	1,666,160	1,473,004	-193,156
Charges for services	273,500	-	273,500	263,106	-10,394
Interest and dividends	55,000	-	55,000	6,760	-48,240
Miscellaneous	64,500	-	64,500	62,360	-2,140
Total revenues	22,463,975	-	22,463,975	22,296,653	-167,322
Expenditures					
General government:					
Legal counsel	25,000	-	25,000	15,153	9,847
Selectmen	110,700	-	110,700	108,962	1,738
Elections	30,000	-	30,000	26,129	3,871
Probate court	2,340	-	2,340	2,054	286
Board of finance	2,000	-	2,000	1,107	893
Finance office	66,000	15,108	81,108	81,209	-101
Tax collector	63,900	19,970	83,870	85,013	-1,143
Board of appeals	1,000	-	1,000	1,449	-449
Town clerk	83,000	-	83,000	83,373	-373
Assessor	63,000	-	63,000	64,797	-1,797
Auditor	11,750	-	11,750	11,750	-
Town report	1,500	-	1,500	650	850
Computer service	73,275	-	73,275	71,142	2,133
Town hall	53,250	-	53,250	48,509	4,741
Insurance	148,000	-	148,000	153,327	-5,327
	734,715	35,078	769,793	754,624	15,169
Public safety:					
Police services	188,000	-	188,000	182,096	5,904
Lebanon volunteer fire department	90,000	-	90,000	90,000	-
Fire marshal	16,000	-	16,000	13,616	2,384
Burning official	2,300	-	2,300	1,194	1,106
Building department	40,000	-	40,000	44,600	-4,600
Fire safety complex	33,700	-	33,700	38,650	-4,950
Emergency management	5,700	-	5,700	5,038	662
Tree warden	175	-	175	50	125
	375,875	-	375,875	375,244	631
Public works:					
Department of public works	591,500	-	591,500	590,242	1,258
Buildings and grounds	99,000	-	99,000	92,223	6,777
Snow removal	135,000	-	135,000	109,584	25,416
Street lights	8,000	-	8,000	5,642	2,358
Solid waste facility	195,000	-	195,000	180,266	14,734
Cemetery commission	11,700	-	11,700	11,068	632
Water pollution control	10,000	26,626	36,626	36,626	-
	1,050,200	26,626	1,076,826	1,025,651	51,175
Health & social:					
Officer and inspection	17,500	-	17,500	12,238	5,262
Public health nurse	1,000	-	1,000	1,000	-
Human services	18,000	-	18,000	16,102	1,898

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of revenues, expenditures, and changes in fund balance
Budget and actual (Budgetary basis) - General fund
For the year ended June 30, 2010

	Original budget	Budget revisions	Final budget	Actual	Variance
Health & social (continued):					
Paramedic program	\$ 35,000	\$ -	\$ 35,000	\$ 24,060	\$ 10,940
United services	4,000	-	4,000	4,000	-
Switch board	41,577	-	41,577	41,577	-
Special events	1,200	2,178	3,378	3,325	53
Commission on aging	11,000	-	11,000	10,463	537
Senior center operations	37,500	-	37,500	34,514	2,986
	166,777	2,178	168,955	147,279	21,676
Community preservation:					
Planning and zoning	111,800	-	111,800	120,543	-8,743
Zoning board of appeals	4,760	-	4,760	3,692	1,068
Economic development commission	2,000	-	2,000	610	1,390
Flood and erosion	20	-	20	-	20
Inland wetlands	4,000	-	4,000	4,139	-139
Conservation committee	250	-	250	178	72
	122,830	-	122,830	129,162	-6,332
Education					
Town appropriation	16,175,480	-	16,175,480	16,076,302	99,178
ARRA stabilization funds	780,040	-	780,040	780,040	-
	16,955,520	-	16,955,520	16,856,342	99,178
Unclassified and program:					
Social security	86,539	-	86,539	83,218	3,321
Medical life insurance	265,027	-	265,027	194,581	70,446
Pension plan	71,239	-	71,239	82,725	-11,486
Unemployment compensation	15,000	-	15,000	15,857	-857
Contingency	100,000	-63,882	36,118	-	36,118
	537,805	-63,882	473,923	376,381	97,542
Debt service:					
Principal	1,055,698	-	1,055,698	1,055,698	-
Interest	236,444	-	236,444	236,444	-
	1,292,142	-	1,292,142	1,292,142	-
Total expenditures	21,235,864	-	21,235,864	20,956,825	279,039
Excess of revenues over expenditures	1,228,111	-	1,228,111	1,339,828	111,717
Other financing sources (uses)					
Utilization of un-designated fund balance	-	60,000	60,000	-	-60,000
Transfers in	-	-	-	4,928	4,928
Transfers out	-1,228,111	-60,000	-1,288,111	-1,288,111	-
Total other financing sources (uses)	-1,228,111	-	-1,228,111	-1,283,183	-55,072
Net change in fund balance	-	-	-	56,645	56,645
Non-budgeted State on behalf revenue				1,328,591	
Non-budgeted State on behalf expenditure				-1,328,591	
Fund Balance - July 1				3,757,676	
Fund Balance - June 30				<u>\$ 3,814,321</u>	

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of fiduciary assets and liabilities -
Agency funds
June 30, 2010

Assets

Cash	\$ 127,265
Investments	-
Receivables (net of allowance)	-
Due from other funds	-
	<hr/>
Total assets	<u><u>\$ 127,265</u></u>

Liabilities

Due to student groups	\$ 113,758
Due to other groups	13,507
Due to other governments	-
	<hr/>
Total liabilities	<u><u>\$ 127,265</u></u>

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Notes to Financial Statements
June 30, 2010

The Town of Lebanon, Connecticut (the Town) is located in the central section of Connecticut. The Town is a municipal corporation which is governed by an elected Board of Selectmen and Board of Finance.

Note 1 - Summary of significant accounting policies

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting. Private sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict pronouncements of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Town, however, does not currently have any business-type activities or enterprise funds. The basic financial statements of the Town consist of government-wide financial statements and fund financial statements. The basis of presentation, measurement focus, and basis of accounting differ for these two types of financial statements and are described separately in Section B and C below. The other following sections represent a summary of the significant accounting policies as applied by the Town.

A. Reporting entity

The financial reporting entity consists of the primary government and its component units, organizations for which the primary government is financially accountable or for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

The Town has determined that the Lebanon Volunteer Fire Department meets the definition of a component unit due to its fiscal dependence on the Town and the nature and significance of their relationship. For a legally separate entity to be considered fiscally independent it must, among other things, have the authority to determine its budget without the primary government having the authority to approve and modify that budget. The Town approves a certain amount of money on an annual basis to be appropriated to the Department to fund a portion of its operations. During the current fiscal year this amount was appropriated for the fire fighting operations of the Department. Although this amount was labeled as being appropriated for the fire fighting operations of the Department, once the amount has been received it may be physically used for any purpose the Department deems necessary for its operations as a whole. Though the Town does not directly have the authority to approve or modify the budget of the Department, it does indirectly do this by deciding the amount that it will or will not appropriate on an annual basis. In addition, the fire safety complex, fire trucks and ambulances used by the Department are purchased by the Town. This also creates a level of fiscal dependence due to the fact that the Department could not function in its current capacity without this assistance. In addition to the level of fiscal dependence between the Town and the Department, the nature and significance of the relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This component unit has been treated as a discretely presented component unit in accordance with the provisions of GASB Statement No. 14 as amended by Statement No. 39. The financial information of the Department has been included in the government-wide statement of net assets and statement of activities.

The Department also provides ambulance services for which it receives ambulance billing revenue. This revenue is classified as "charges for services" revenue in the financial statements. This revenue is used by the Department to fund its ambulance services. A portion of this ambulance billing revenue is associated with ALS services for which the Town presently has an agreement with and pays Windham Hospital Paramedics. The Department is of the belief that the portion of their ambulance billing revenue that relates to these ALS services should be returned to the Town. The Department returned \$19,145 to the Town during the current fiscal year. This amount is shown as a revenue item within the capital and non-recurring fund of the primary government and as an expenditure within discretely presented component unit. The Department also receives memorial and trust funds as designated by the individual donor. These funds are shown as part of the general operating fund of the Department as part of the discretely presented component unit. The Hinckley and Bender memorial funds have been internally designated by the Department to be used for items associated with the fire safety complex addition. The memorial fund trust is to be used for memorial type activities.

Town of Lebanon, Connecticut
Notes to Financial Statements
June 30, 2010

B. Government-wide financial statements

1. Basis of presentation

The government-wide financial statements consist of a statement of net assets and a statement of activities. These statements report information about the Town as a whole without displaying individual funds or fund types. These statements distinguish between the primary government and the discretely presented component unit as well as the governmental and business type activities of the Town. These statements do not include information about the fiduciary activities and funds of the Town or component units which are fiduciary in nature. Fiduciary activities and funds report assets which are held by the Town in a trustee or agency capacity and which cannot be used to support the activities and programs of the Town.

The statement of net assets presents the financial position of the governmental and business type activities of the primary government of the Town and the discretely presented component unit at the end of the fiscal year. This statement reports the assets, liabilities, and net assets of the Town. The assets and liabilities are presented in the order of their relative liquidity. The liquidity of assets is determined by how readily they are expected to be converted into cash and whether there are restrictions in place limiting their use by the Town. The liquidity of liabilities is determined by their maturity or by when cash will be used to liquidate them. The net asset balance of the Town consists of the invested in capital assets (net of accumulated depreciation and reduced by the total outstanding debt incurred to purchase the assets), restricted and unrestricted amounts. Restricted net assets are present when constraints are imposed externally by creditors, grantors, contributors, other governments, or by law through constitutional provisions or enabling legislation. Unrestricted net assets consist of all net assets balances not meeting the definition of invested in capital assets or restricted. Internal balances between individual funds within the governmental and business type activities are eliminated in this statement to minimize the "grossing-up" of assets and liabilities. These internal balances are also known as inter-fund receivables and payables and are shown in the fund financial statements as due to and due from other funds. Any residual amounts due between the governmental and business type activities of the Town would be shown as an internal balance and disclosed separately.

The statement of activities presents the operations of the governmental and business type activities of the primary government of the Town and the discretely presented component unit of the Town for the fiscal year. The operations of the Town are shown in a format which reports the net (expense) revenue of the individual functions of the Town. The purpose of this net (expense) revenue format is to report the relative financial burden of each of the Town's functions on the taxpayers. Program revenue is applied to each function based on which function generated the specific charges for services and for which functions the operating and capital grants have been received. All taxes are shown as general revenues regardless of whether they were levied for a specific purpose or function. The categories of individual functions correspond to the different departments and operations of the Town. Indirect expenses which benefit the Town as a whole are not required to be allocated among the other functions of the Town and therefore they are not allocated. Depreciation expense is allocated to the specific functions (sometimes referred to as departments) of the Town based on which function purchased or benefits from the assets. Depreciation on assets shared between two or more functions is allocated based on the percentage purchased by each function. If the benefit received from these assets shifts from the function making the purchase to another function in a material amount, the depreciation amount being charged will be shifted accordingly. Depreciation on capital assets which benefit all of the functions of the Town, such as infrastructure assets, is shown as a separate line item. Internal activity between individual funds within the governmental and business type activities are eliminated in this statement. This internal activity is also known as transfers in and out and is shown in the fund financial statements as such. The above information relating to the government-wide financial statements basis of presentation reference both governmental and business type activities. The Town currently does not have any business type activities.

2. Measurement focus and basis of accounting

The statement of net assets and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. The accrual basis of accounting would be used for both governmental and business type activities of the primary government of the Town and the discretely presented component unit. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. In other words, revenues and the related assets are recognized when they are earned and expenses and the related liabilities are recognized when they are incurred. Revenues, expenses, gains, losses, assets, and liabilities resulting from non exchange transactions are recognized in accordance with a number of specific GASB Statement No.'s including but not limited to 24, 33, 34, and 36.

Town of Lebanon, Connecticut
Notes to Financial Statements
June 30, 2010

C. Fund financial statements

1. Basis of presentation

The fund financial statements of the Town consist of a balance sheet with a reconciliation to the government-wide statement of net assets, a statement of revenues, expenditures, and changes in fund balances with a reconciliation to the government-wide statement of activities, a budgetary comparison schedule for the general fund, and a statement of fiduciary net assets. These fund financial statements are designed to report additional and more detailed information about the primary government. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts which record cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with any special regulations, restrictions, or limitations which may exist. The types of funds shown for the Town are governmental funds and fiduciary funds. The focus of these fund financial statements are on major funds as defined by GASB Statement No. 34. All major funds are reported in a separate column with all non-major funds being aggregated and reported in a single column.

Governmental fund reporting focuses primarily on the sources, uses, and balances of the current financial resources of the Town. The governmental funds used by the Town include the general fund. Other non-major governmental fund types used by the Town include special revenue funds, capital project funds, and permanent funds. The general use and purpose of these individual governmental fund types are as follows. The individual names of each fund within each non-major governmental fund type can be found in the accompanying combining schedules and the purpose of the fund is generally self explanatory within each title.

- a. General fund - The general fund is the main operating fund of the Town. It is used to account for all financial resources except those required to be reported in another fund.
- b. Special revenue funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other government or for major capital projects) that are legally restricted to expenditure for specified purposes. Resources restricted to expenditure for purposes normally financed from the general fund are accounted for through the general fund providing that any applicable legal requirements can be appropriately satisfied. The general fund of all blended component units are reported as individual special revenue funds.
- c. Capital project funds - Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or additions and the accumulation of funds for these purposes.
- d. Permanent funds - Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's programs and which benefit its citizens.

Fiduciary fund reporting focuses on net assets and changes in net assets. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the programs of the Town. The fiduciary funds of the Town consist of only agency funds which are used to report resources held by the Town in a purely custodial capacity. Fiduciary funds of the Town also consist of the funds of other organizations which use the tax identification numbers of the Town and the Board of Education to open and operate separate cash accounts.

The balance sheet is used to report information about the current financial resources (assets, liabilities, and fund balances) of each major governmental fund and for all non-major governmental funds in the aggregate. The fund balance amounts within the governmental funds is segregated between reserved and unreserved amounts. All reserved fund balances are described in sufficient detail to disclose the purpose of the reservation. All unreserved fund balances are shown by the individual fund type in which they are a part of whether they are major or non-major funds. An accompanying schedule is also required to be completed to reconcile the total governmental fund balance to the total net assets balance of the governmental activities of the Town as shown on the government-wide statement of net assets.

The statement of revenues, expenditures, and changes in fund balances is used to report information about the inflows, outflows, and balances of current financial resources of each major governmental fund and all non-major funds in the aggregate. Revenues are classified by major revenue sources while expenditures are classified by categories of individual functions corresponding to the different departments and operations of the Town. The proceeds from the issuance of long-term debt and operating transfers between individual funds are shown as other financing sources and uses. An accompanying schedule is also required to be completed to reconcile the total change in governmental fund balances to the total change in net assets of the governmental activities of the Town as shown on the government-wide statement of activities.

Town of Lebanon, Connecticut
Notes to Financial Statements
June 30, 2010

The budgetary comparison information is required to be presented for the general fund and each major special revenue or capital project fund that has a legally adopted annual budget. This statement shows the original budget as voted on and appropriated, the changes made to each individual departmental item within the budget, and the final budget which is compared to the actual revenue and expenditure balances to come up with the favorable or unfavorable variance numbers.

The statement of fiduciary net assets shows information in regard to the assets and liabilities of the fiduciary funds of the Town (agency funds). The statement of changes in fiduciary net assets shows information in regard to the additions to, subtractions from, and net increase or decrease for the year in fiduciary fund net assets. Given the type of the fiduciary funds of the Town (agency funds), this statement of changes in fiduciary net assets is not applicable for the current fiscal year.

2. Measurement focus and basis of accounting

The balance sheet and the statement of revenues, expenditures, and changes in fund balances are prepared using the current financial resources measurement focus and the modified accrual basis of accounting for all governmental and fiduciary funds. Capital assets and long-term debt are not recorded as assets or liabilities on the balance sheet of the Town.

The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Under the modified accrual basis of accounting revenues are recognized when they become measurable and available as net current assets. Property tax revenues are recognized when they become available. Available includes those property taxes receivable which are expected to be collected within the first sixty days after the end of the current fiscal year. Miscellaneous revenues are recorded when received because they are generally not measurable until actually received. Intergovernmental revenues are accrued, when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available. The Town generally considers intergovernmental revenues which are received within the first sixty days after the end of the current fiscal year to be both measurable and available. Expenditures are generally recognized under this basis of accounting when the related fund liability is incurred. Exceptions to this general rule include general long-term debt principal and interest which is recognized when due.

D. Cash and cash equivalents

Cash and cash equivalents include amounts in demand deposit accounts as well as all highly liquid short-term investments with a maturity date within three months of the date acquired by the Town.

E. Investments

In accordance with GASB Statement No. 31, it is the Town's policy to value investments at their fair value as of the end of the fiscal year. Some of the types of investments authorized by the State of Connecticut include obligations of the United States Government, obligations fully insured or guaranteed by the government or governmental agency, the State local government investment pool (STIF account), and repurchase agreements. The Town does have types of investments other than those authorized by the State however they represent assets which have been donated to the Town and therefore are not subject to the limitations of the applicable State statutes.

F. Receivables

All property tax, intergovernmental, and other receivables are reported net of any allowance for doubtful accounts. Fund financial statement accounts receivable balances include property tax principal amounts, intergovernmental amounts due on grant and other miscellaneous agreements, and other receivable amounts which consist primarily of school tuition and amounts due from State grant holding agents (Reich & Tang). Government-wide financial statements include all of the above mentioned receivable types in addition to accumulated delinquent interest and fees on the property tax principal amounts and planned State construction principal and interest reimbursements to be made to the Town. These State reimbursements are broken down between current amounts expected to be reimbursed within one year and long-term amounts expected to be reimbursed beyond one year. The Town will book an unbilled receivable in situations when a grant or contract has incurred expenditures which will be reimbursed by a funding source but which have not yet been fully received in cash for the amount incurred. The notes receivable balance is related to a CDBG grant and loan fund program received and entered into by the Town which is more fully described in note 9 on page 31.

G. Tax acquired property

Property which has been foreclosed on by the Town due to non-payment of taxes or other similar situations is classified as tax acquired property at the value of the original outstanding tax receivable amount. Interest and fees on the property are recorded at such time when the property is sold.

Town of Lebanon, Connecticut
Notes to Financial Statements
June 30, 2010

H. Revenue recognition - property taxes

The Town's property tax for the current year was levied June 11, 2009 on the grand list as of October 1, 2008, for the real, motor vehicle and personal property located in the Town. Taxes were due on July 1, 2009, and January 1, 2010. Interest on unpaid taxes commenced once the aforementioned due dates were missed, at 18% per annum or 1.50% per month. As described earlier, in the fund financial statements property tax revenues are recorded in the amount of the annual principle property tax assessment with an adjustment being made for the amount of principle expected to be collected within the first sixty days after the end of the current fiscal year. In the government-wide financial statements, only the current year principle assessment is recorded as revenue and therefore any adjustment made would need to be reversed.

I. Inventories

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used which is in accordance with the consumption method. On the fund financial statements, inventories are presented at cost on a first-in, first-out basis and are recorded as an expenditure when used.

J. Inter fund receivables and payables

Inter fund receivables and payables represent the balance of activity between the different funds of the Town. These activities include but are not limited to budgeted transfers which were not physically made but need to be recorded to keep track of the individual fund balances and cash receipts which may have been deposited in the cash account of one fund but which are for the use of another fund. Expenditures for one fund paid for out of another fund are also included in these balances. The budgeted transfers referred to above are shown as transfers in and out on the statement of revenues, expenditures, and changes in fund balances. The balance of inter fund receivables and inter fund payables as shown on the balance sheet must equal. These inter fund balances and related activities have been eliminated in the government-wide statement of net assets and the statement of activities.

K. Prepaid items

Payments made to vendors for services and in certain circumstances goods that will benefit periods beyond the end of the fiscal year are recorded as prepaid expenses-expenditures using the consumption method by recording an asset for the prepaid amount and reflecting the expense-expenditure in the subsequent year (s) in which the services are consumed. Expenditures relatively minor in nature for insurance and similar services extending over more than one accounting period need not be allocated between or among accounting periods, but may be accounted for as expenditures of the period of acquisition. The Town considers relatively minor in nature to include aggregated similar items not exceeding \$5,000.

L. Capital assets

Capital assets of the Town include land, land improvements, buildings, building improvements, vehicles equipment, infrastructure, and all other tangible and intangible assets which may arise that are used in operations and that have an initial useful life extending beyond a single fiscal year. Infrastructure assets are long-lived capital assets that are normally stationary in nature and can normally be preserved for a significantly greater number of years than most capital assets. The types of infrastructure assets recorded by the Town include but are not limited to improved town roads, unimproved town roads, and bridges. All improvements to infrastructure and other capital assets are capitalized which add to the value or materially extend the life of the asset. All capital assets of the Town are recorded at historical cost or estimated historical cost when the actual amount is not available. The historical cost of these assets includes not only the cost of the asset but also capitalized interest charges and other direct costs associated with placing the asset into its intended location and its intended use. The Town maintains a capitalization threshold of \$5,000 for all capital assets with the exception of land purchases which are recorded regardless of amount. Donated capital assets are reported at their estimated fair value at the time of acquisition plus other direct costs associated with placing the asset into its intended location and intended use. Capital assets are only shown on the government-wide statement of net assets.

Land and land improvements are not depreciated. All other individual capital assets of the Town are depreciated over their estimated useful lives using the straight line method. Under this method, the recorded cost of each capital asset less any estimated residual value is divided by the estimated useful life resulting in an even amount of depreciation to be taken on an annual basis. The estimated residual value is the amount that the capital asset is expected to be worth at the end of its useful life. The general estimated useful lives for specific types of capital assets are 3 - 10 years for equipment, 5 - 10 years for vehicles, 30 - 50 years for buildings and building improvements and infrastructure. Capital assets which are under construction but not yet completed are recorded as construction in progress. These capital assets will not begin to be depreciated until they are completed. Depreciation expense is allocated to the specific functions (sometimes referred to as departments) of the Town based on which function

Town of Lebanon, Connecticut
Notes to Financial Statements
June 30, 2010

purchased or benefits from the assets. Depreciation on assets shared between two or more functions is allocated based on the percentage purchased by each function. If the benefit received from these assets shifts from the function making the purchase to another function in a material amount, the depreciation amount being charged will be shifted accordingly. Depreciation on capital assets which benefit all of the functions of the Town, such as infrastructure assets, is shown as a separate line item. Depreciation expense on capital assets is only shown on the government-wide statement of activities and is added to the individual function or department as described above

M. Deferred revenue

On the government-wide financial statements, revenue amounts which have been received in cash but not yet earned or recognized are recorded as deferred revenue. On the fund financial statements, property taxes receivable not expected to be received within the first 60 days after the fiscal year end (i.e. not measurable and available) as well as property tax revenue which has been received in advance of the fiscal year to which it applies and other miscellaneous items are recorded as deferred revenue. Codification of Governmental Accounting and Financial Reporting Standards section 1600.114 states that in regard to the modified accrual basis of accounting, material revenues received prior to the normal time of receipt should be recorded as deferred revenue.

N. Budget

The Town's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting (except in relation to teacher on-behalf payments made by the State which are not budgeted for) which is consistent with generally accepted accounting principles. The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each general function of the Town. Only the Board of Finance may approve budget transfers within and between expenditure classes and individual departments. The bottom line budgeted revenue and expenditure amounts can only change upon approval of the inhabitants of the Town through a special town meeting. The procedures followed in establishing the budgetary data reflected in the financial statements are as follows. In addition, the following table shows the reconciliation of the budgetary basis to the GAAP basis for the general fund of the Town for the current fiscal year.

- a. Early in the second half of the last fiscal year the Town's selectmen, departments, boards and commissions submitted budget requests for the year beginning July 1. The operating budgets include proposed expenditures and the means of financing them.
- b. Hearings are then held for the submitted budget requests by functions: (1) Selectmen's budget, (2) departments, (3) boards and commissions, (4) capital and nonrecurring requests and (5) Board of Education.
- c. A meeting of the inhabitants of the Town is then called for the purpose of adopting the proposed budget after public notice of the meeting had been given. The current fiscal year budget was adopted by the inhabitants of the Town on May 12, 2009.

	Revenues and other financing sources	Expenditures and other financing uses	Net change in fund balance
GAAP basis - Statement C	\$ 23,630,172	\$ 23,573,527	\$ 56,645
State of Connecticut on-behalf benefits	-1,328,591	-1,328,591	-
Budgetary basis - Statement D	<u>\$ 22,301,581</u>	<u>\$ 22,244,936</u>	<u>\$ 56,645</u>

O. Encumbrance accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year-end. The Town of Lebanon does utilize encumbrance accounting. Reservation of fund balance at June 30, 2010 was \$0 for the general fund as it relates to the Board of Education, and \$0 for the non-major special revenue funds as they relate to the State and Federal grant programs of the Board of Education.

P. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results may differ from those estimates.

Town of Lebanon, Connecticut
Notes to Financial Statements
June 30, 2010

Q. Major funds - Fund financial statements only

The focus of the governmental funds of the Town is on the major funds. The general fund of the Town is shown as a major fund. In addition, other governmental funds are shown as major based on the following criteria.

- a. The total assets, liabilities, revenues, and expenditures of an individual governmental or enterprise (if present) fund are at least 10% of the corresponding totals for all funds of the governmental or enterprise (if present) fund type and
- b. The total assets, liabilities, revenues, and expenditures of an individual governmental or enterprise (if present) fund are at least 5% of the corresponding totals for all governmental and enterprise (if present) funds combined.
- c. Any other individual governmental or enterprise (if present) fund that the Town believes is particularly important to the financial statement users whether because of public interest, consistency, or other reasons.

For the purposes of the current fiscal year fund financial statements, the following individual governmental funds have been classified as major. A brief description of the fund and the activities reported within the fund is as follows.

- d. Town construction projects - This fund is used to account for the financial resources received and expended for four individual town projects. Construction at the elementary and middle schools are being financed by the State and the Town through annual appropriations and bonding. The fire safety complex and senior center were financed through annual appropriations and bonding for the fire safety complex. Financial information for these projects can be found on Sub-Schedule A on page 55.
- e. Capital and non-recurring fund - This fund is used to account for financial resources to be used by the Town to purchase or construct capital assets or projects. The capital assets purchased through this fund are usually more costly than those purchased and accounted for within other funds, functions, and departments.
- f. Trumbull investments fund - This fund is used to account for three sets of investments given to the town by Hugh Trumbull Adams with the revenue generated by these investments to be used to help fund the operations of the town library, the Adams community center, and the Jonathan Trumbull Jr. house.

R. Unclassified and program expenditures

The Town uses a departmental expenditure category labeled unclassified and program to account for certain types of expenditures that they do not feel truly fall into the traditional departmental expenditure categories of the Town. The general fund classifies Town wide fringe benefits into this departmental expenditure category. In addition, the expenditures of the Town's housing rehabilitation program and revolving loan fund are grouped into this departmental expenditure category as well as other miscellaneous programs that do not fall into any of the traditional departmental expenditure categories of the Town.

Note 2 - Deposits and investments

Deposits

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. At year end, the carrying amount of the Town's deposits was \$5,395,291 with the corresponding bank balances of accounts at various financial institutions totaling \$5,466,015. Of these bank balances, \$3,114,234 was covered by FDIC with the remaining \$2,351,781 representing balances that uninsured and collateralized by securities held by the pledging financial institutions' trust department or agent but not in the Town's name.

The Town does not have a formal deposit policy for custodial credit risk beyond the requirements of State statutes. All of the Town's deposits are in qualified public institutions as defined by state statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank. In addition, one or more of the financial institutions are participating in the FDIC's Temporary Liquidity Guarantee Program which consists of the Transaction Account Guarantee program. This program provides the Town as a customer of this financial institution with unlimited FDIC coverage on all non-interest bearing transaction deposit accounts and NOW accounts with an annual percentage yield of less than .25%. This additional coverage runs through December 31, 2010. All interest bearing transaction deposit accounts, including certificates of deposit, savings accounts, and money market accounts are currently insured up to \$250,000 by FDIC per financial institution and per the official custodian of the Town.

Town of Lebanon, Connecticut
Notes to Financial Statements
June 30, 2010

Investments

The following schedule shows the different types of investments held by the Town, the maturities of those investments and the associated credit ratings as of June 30, 2010.

Type	Fair value	Maturities in years			Credit ratings	
		Less than 1 year	1 - 5 years	6 - 10 years	Moody's	S & P
CT short term investment fund	\$ 24,818	\$ 24,818	\$ -	\$ -	not rated	AAA
U.S. Treasury Notes	5,147	5,147	-	-	Aaa	AAA
Preferred stocks	5,092	5,092	-	-	Baa2	BBB-
Preferred stocks	16,236	16,236	-	-	not rated	BBB+
Mutual funds fixed income	67,801	67,801	-	-	not rated	not rated
Money market ready asset funds	12,871	12,871	-	-	not rated	not rated
U.S. Treasury Notes	63,661	-	63,661	-	Aaa	AAA
Federal home loan bank bond	10,934	-	10,934	-	not rated	not rated
U.S. Treasury Notes	11,377	-	-	11,377	Aaa	AAA
	217,937	<u>\$ 131,965</u>	<u>\$ 74,595</u>	<u>\$ 11,377</u>		
Stock equities	1,232,813					
Mutual fund equities	24,706					
	<u>\$ 1,475,456</u>					

Interest Rate Risk - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Credit Risk - The Town has no investment policy that would further limit its investment choices beyond those limited by Connecticut state statutes. The types of investments authorized to be carried by the Town are in accordance with those authorized by the State of Connecticut. These investments include obligations of the United States Government, obligations fully insured or guaranteed by the government or governmental agency, and repurchase agreements. The Town may vote to accept other types of investments than those authorized by the State in situations where they have been donated to the Town to benefit the Town. Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk.

Note 3 - Restricted cash and investments - government-wide financial statements only

The Town breaks cash and investments down between a regular current asset and an other asset restricted on the government-wide statement of net assets. The other asset restricted investment amount is made up of the balance of the investments which have been donated to the Town and whose interest and earnings only are used to partially fund the operations of the Towns library, community center, and the Jonathan Trumbull Jr. house. This investments balance can also be seen on the fund financial statements balance sheet as the major fund labeled the Trumbull investments fund. In addition, the permanent funds include an investment in the amount of \$7,043 for the Oliver & Lucille Manning permanent fund. This investment is also shown as restricted. The other assets restricted cash amount is made up of cash balances which are restricted for a specific purpose in subsequent fiscal years. The current year amount shown on the government-wide statement of net assets can be broken down as follows.

Community development projects	\$ 27,857
State, federal, and other grant program balances deferred	130,322
Principle balance of non-major permanent funds	312,885
	<u>\$ 471,064</u>

Town of Lebanon, Connecticut
Notes to Financial Statements
June 30, 2010

Note 4 - Inter fund receivables, payables, and transfers - fund financial statements only

The Town maintains a cash pool that is available for use by all funds. Each fund's portion of this pool is displayed on the balance sheet as "due to or from other funds" under each fund's caption. The purpose for inter fund balances is to keep track of each fund's position in this cash pool. These balances are not expected to be repaid due to the fact that they simply represent funds collected or spent by one fund on behalf of another fund. The following information represents inter fund receivables and payables by individual major fund and non-major funds in the aggregate. Separate balances due show up in both the due from and due to column of the general fund. This is because individual funds within each of the below listed fund types may have either a due to or a due from balance. The Town believes it is more beneficial to show this information separately rather than netted out.

	Receivable due from	Payable due to
General fund:		
Town construction projects	\$ 768,146	\$ 11,641
Capital and non-recurring fund	-	397,142
Non-major special revenue funds	1,306,207	631,107
Non-major capital project funds	35,363	22,924
Non-major permanent funds	20,741	-
	<u>\$ 2,130,457</u>	<u>\$ 1,062,814</u>
Town construction projects		
General fund	<u>\$ 11,641</u>	<u>\$ 768,146</u>
Capital and non-recurring fund:		
General fund	<u>\$ 397,142</u>	<u>\$ -</u>

Transfers in and out represent budgeted transfers which are not always physically made but need to be recorded to keep track of the individual fund balances and the transfers of income earned from one individual fund to another in accordance with the requirements of the individual funds. There were no transfers made by the Town during the current fiscal year which were significant which have been deemed not to have occurred on a routine basis and which are inconsistent with the activities of the fund (s) making the transfer (s). The following information represents inter fund transfers by individual major fund and non-major funds in the aggregate:

	Transfers in	Transfers out
General fund:		
Town construction projects	\$ -	\$ -147,000
Capital and non-recurring fund	-	-766,211
Non-major special revenue funds	-	-374,900
Non-major permanent funds	4,928	-
	<u>\$ 4,928</u>	<u>\$ -1,288,111</u>
Town construction projects:		
General fund	\$ 147,000	\$ -
Non-major special revenue funds	13,037	-
	<u>\$ 160,037</u>	<u>\$ -</u>
Capital and non-recurring fund:		
General fund	<u>\$ 766,211</u>	<u>\$ -</u>
Trumbull investments fund:		
Non-major special revenue funds	<u>\$ -</u>	<u>\$ -48,321</u>

Town of Lebanon, Connecticut
Notes to Financial Statements
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Note 5 - Capital assets - government-wide financial statements only

The following schedule shows the capital asset activity for the fiscal year ended June 30, 2010. Information about the specific accounting policies of the Town in relation to capital assets can be found in item L of note 1 on page 23 of the notes to the financial statements.

	Balance 07/01/09	Additions	Retirements	Balance 06/30/10
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 1,896,289	\$ -	\$ -	\$ 1,896,289
Construction in progress	1,211,661	92,939	-670,927	633,673
Total at historical value	<u>3,107,950</u>	<u>92,939</u>	<u>-670,927</u>	<u>2,529,962</u>
Capital assets being depreciated:				
Buildings and improvements	35,748,369	19,037	-	35,767,406
Vehicles	3,330,852	115,625	-	3,446,477
Equipment	673,646	20,840	-	694,486
Infrastructure	22,523,547	1,481,504	-	24,005,051
Total at historical value	<u>62,276,414</u>	<u>1,637,006</u>	<u>-</u>	<u>63,913,420</u>
Less accumulated depreciation for:				
Building and improvements	-9,580,774	-	-877,574	-10,458,348
Vehicles	-2,009,675	-	-145,672	-2,155,347
Equipment	-447,514	-	-65,273	-512,787
Infrastructure	-16,638,130	-	-394,837	-17,032,967
Total accumulated depreciation	<u>-28,676,093</u>	<u>-</u>	<u>-1,483,356</u>	<u>-30,159,449</u>
Total capital assets being depreciated (net)	<u>33,600,321</u>	<u>1,637,006</u>	<u>-1,483,356</u>	<u>33,753,971</u>
Governmental activities capital assets (net)	<u><u>\$ 36,708,271</u></u>	<u><u>\$ 1,729,945</u></u>	<u><u>\$ -2,154,283</u></u>	<u><u>\$ 36,283,933</u></u>

Depreciation expense by function or department:

General government	\$ -8,683
Public safety	-152,781
Public works	-60,219
Health & social	-60,972
Education	-804,404
Unclassified	-1,460
General infrastructure depreciation	-394,837
	<u><u>\$ -1,483,356</u></u>

Capital asset additions by function or department:

Capital outlay	\$ 765,977
Education	14,700
Health & social	6,140
Public works	76,954
Unclassified	195,247
	<u><u>\$ 1,059,018</u></u>

Town of Lebanon, Connecticut
Notes to Financial Statements
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Note 6 - Long-term liabilities - government-wide financial statements only

	Balance 07/1/09	Additions	Reductions	Balance 06/30/10	Amount due within one year
Governmental activities:					
Outstanding payables:					
\$5,750,000 bond payable	\$ 4,595,000	\$ -	\$ -385,000	\$ 4,210,000	\$ 385,000
\$4,500,000 bond payable	675,000	-	-225,000	450,000	225,000
\$486,650 bond payable	268,523	-	-25,698	242,825	27,012
\$3,955,000 bond payable	620,000	-	-420,000	200,000	200,000
\$84,609 capital leases payable	6,285	-	-6,285	-	-
Total outstanding payables	<u>6,164,808</u>	<u>-</u>	<u>-1,061,983</u>	<u>5,102,825</u>	<u>837,012</u>
Other liabilities:					
Accrued comp. absences - school	90,109	-	-12,490	77,619	
Accrued comp. absences - town	63,354	-	-33,042	30,312	
Accrued landfill post-closure costs	123,631	-	-11,500	112,131	
Total other liabilities	<u>277,094</u>	<u>-</u>	<u>-57,032</u>	<u>220,062</u>	
Total long-term liabilities	<u>\$ 6,441,902</u>	<u>\$ -</u>	<u>\$ -1,119,015</u>	<u>\$ 5,322,887</u>	<u>\$ 837,012</u>

The following is a summary of the terms, conditions, and ending balance as of June 30, 2010 of the outstanding long-term bonds and notes payable, and capital leases payable of the Town:

Bonds and notes payable

\$5,750,000 bond payable issued in August of 2005 to finance two school renovation projects and a fire safety complex project. Annual principal installments range from \$385,000 to \$380,000 through August of 2021. Interest at 3.80%.	\$ 4,210,000
\$4,500,000 bond payable issued in August of 1991 to finance the construction of schools. Annual principal installments are \$225,000 through August of 2011. Interest at 6.44%.	450,000
\$486,650 bond payable issued in February of 1998 to finance the purchase of property. Monthly payments are \$3,212 which includes interest at 5.00%. The bonds are due in February of 2018.	242,825
\$3,955,000 bond payable issued in March of 2002 in a current refunding to re-finance two previously issued school construction bonds. Annual principal installments range from \$200,000 to \$515,000 through September of 2010. Interest from 3.00% to 5.00%.	<u>200,000</u>
	<u>5,102,825</u>

Capital leases payable

\$84,609 capital leases payable dated in January of 2003 and commencing in July of 2003 to finance the purchase of a new telephone system by the school department. There were two individual leases making up the total for this project with each lease being payable through November of 2009. Monthly payments under these two individual lease agreements were \$1,031, and \$369 which include interest at 6.15% and an applicable property tax assessment amount.	-
	<u>\$ 5,102,825</u>

Town of Lebanon, Connecticut
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The following is a summary of the total outstanding bonds and notes payable principal and interest requirements for the above referenced bonds and notes payable for the fiscal years ending June 30,:

	Principal	Interest	Total		Principal	Interest	Total
2011	\$ 837,012	\$ 190,836	\$ 1,027,848	2017	\$ 416,440	\$ 67,080	\$ 483,520
2012	638,395	155,661	794,056	2018	402,112	50,908	453,020
2013	414,847	132,098	546,945	2019	380,000	36,100	416,100
2014	416,374	115,941	532,315	2020	380,000	21,660	401,660
2015	417,979	99,706	517,685	2021	380,000	7,220	387,220
2016	419,666	83,389	503,055		<u>\$ 5,102,825</u>	<u>\$ 960,599</u>	<u>\$ 6,063,424</u>

A. Accrued compensated absences

Employees of the Town and the Board of Education are allowed to earn paid absences for vacations and/or sick time. The employee's right to be paid for these future vacation and sick time absences are attributable to services already performed and earned vacation and sick time balances do accumulate. Town accumulated balances are paid when an employee leaves. Therefore, the probability of these benefits being paid can be determined and a liability has been recorded in the accompanying government-wide financial statements on the statement of net assets. School accumulated vacation balances are also paid when employees leave. However, school accumulated sick balances are only paid when an employee retires. Therefore, the probability of these school accumulated vacation benefits being paid can be determined and a liability has been recorded in the accompanying government-wide financial statements on the statement of net assets. The probability of school accumulated sick benefits being paid cannot be determined and therefore no liability for these benefits has been recorded. As of June 30, 2010, school accumulated sick balances totaled approximately \$314,852. A current portion of these liabilities has not been estimated due to the fact that these benefits (accumulated sick and vacation time) may be used by the employees during the course of the fiscal year or they may be paid out upon retirement or termination. An estimate could be made based on prior year activity but the Town believes there are too many variables which could render this estimate useless.

B. Accrued landfill post-closure costs

The Town of Lebanon municipal solid waste landfill was closed in October of 1993 due to new regulations imposed by the United States Environmental Protection Agency which the town was unable to meet. The cost of capping the landfill was paid for out of the Town's annual operating budget. The post-closure monitoring, which will continue for up to 30 years, will also be paid for out of the Town's annual operating budget. The Town set up a long-term liability to account for these funds being set aside for this post-closure care. In accordance with GAAP, the expense for this liability was to be recorded in each period based on the landfill capacity used to date. As of June 30, 2010 the amount outstanding for post-closure monitoring was \$112,131 which is shown as a long-term liability on the government-wide statement of net assets. A current portion of this liability has not been estimated due to the fact that the price of the upcoming fiscal year monitoring, year end report and other possibly unforeseen costs is unknown.

Note 7 - Net asset balances - invested in capital assets

The invested in capital assets, net of related debt net asset amount on the government-wide statement of net assets consisted of the following items as of June 30, 2010.

	Governmental activities
Recorded value of capital assets	\$ 66,443,382
Less accumulated depreciation	-30,159,449
Book value of capital assets	<u>36,283,933</u>
Less capital assets related debt	-5,102,825
Total invested in capital assets, net of related debt	<u>\$ 31,181,108</u>

Town of Lebanon, Connecticut
Notes to Financial Statements
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Note 8 - Deficit fund balances

In accordance with GAAP, all deficit fund balances and their nature must be disclosed. The following individual non-major funds had deficit fund balances as of June 30, 2010. These deficit fund balances represent an excess of expenditures over actual revenues, appropriations, and recorded receivables. The LES and LMS building projects are being jointly financed by the State and the Town. The current deficit in these funds represents the Town's estimated portion to date which will be appropriated in the upcoming fiscal years less any additional amounts received from the State. Each project was submitted to the State as being complete in December of 2010 and will subsequently be audited by the State which should be completed within one year from the date of submission. The Town expects the final reimbursement received from the state to cover the current and remaining deficit in each project as shown below. The dog fund deficit fund balance is expected to be covered in subsequent fiscal years by Town appropriations, and/or program revenues. The remainder of these deficit fund balances represent State, Federal and other award programs. The deficit fund balances are the result of grant funds being spent either before they can or have been billed for.

Major funds:

Town construction projects	
LES building project	\$ -579,906
LMS building project	-186,346
Senior center construction project	-1,894
	<u>-768,146</u>

Non-major special revenue funds:

Dog fund	-5,093
Homeland security grant	-2,993
CL&P substation grant	-135
School vo-ag equipment grant	-27,749
Rails to trails grant	-40
School ARRA Idea part B section 611	-56,368
School ARRA Idea part B section 619	-4,314
School Title II part A teachers	-8,746
	<u>-105,438</u>

Non-major capital project funds:

Town bridge projects	-34,522
	<u>\$ -908,106</u>

Note 9 - Net asset and fund balances - restricted and reserved

The Town has received a number of housing rehabilitation CDBG grants from the U.S. Department of Housing and Urban Development. The purpose of these grants is to provide assistance to low to moderate income residents for addressing housing needs with a priority being placed on public health and safety code violations and to establish a permanent loan fund using the proceeds described below. Each resident receiving benefits under these grants is required to sign a deferred partially forgivable promissory note. These notes must be repaid to the Town as prescribed in the agreement with the proceeds being deposited into this loan fund and permanently used by the Town for other similar programs. Program income including interest income earned on repaid funds before the funds are reused must be deposited into this loan fund. The principal amount of the loan will automatically be reduced by 10% on each consecutive anniversary of the note agreement for a maximum of 5 years or 50% of the original note balance. This forgivable portion is shown as a bad debt item and reduces the restricted net asset balance in the government-wide financial statements and the reserved fund balance in the fund financial statements. As of June 30, 2010, the following balances represent the loan fund described above.

Cash and restricted cash	\$ 27,857
Notes receivable (net of allowance)	612,579
Current liabilities	-421
Restricted net assets and reserved fund balance	-640,015
	<u>\$ -</u>

Town of Lebanon, Connecticut
Notes to Financial Statements
June 30, 2010

Note 10 - Employees' retirement plans

Municipal Employees' Retirement System - Fund B

A. Plan description

The Municipal Employees' Retirement System (MERS) is a cost sharing multiple employer public employee retirement system (PERS) established by the State of Connecticut and administered by the State Retirement Commission to provide pension benefits for the employees of participating municipalities. MERS is considered to be a part of the State of Connecticut's financial reporting entity and is included in the State's financial reports as a pension trust fund. Plan provisions are set by statute of the State of Connecticut. MERS provides retirement benefits, as well as death and disability benefits. Annual cost of living increases are applied to disabled and non-disabled retirement benefits and vary based upon member age and date of retirement. The Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Municipal Employees' Retirement System, Hartford, Connecticut 04269.

B. Funding policy

Covered employees are required by State statute to contribute 2-1/4% of earnings upon which Social Security tax is paid plus 5% of earnings on which no Social Security tax is paid. Each participating municipality is required to contribute the amounts necessary to finance the remaining costs of the plan. Employees not covered by Social Security are required to contribute 5% of all earnings. Each covered municipality is required by State statute to pay an actuarially determined percentage of covered payroll to provide for benefits based on current service. This percentage varies by police and fire versus general employees, and within those two groups, for populations covered by Social Security versus those not covered by Social Security. The statute also requires each municipality to pay an annual amount for benefits based on service prior to the unit's date of participation. This amount is a level dollar amortization (including interest and principal) over varying time periods depending upon the unit's date of participation and other factors. The required contribution percentages for the fiscal year ended June 30, 2010 for the Town are as follows.

	Police and fire employees	General employees
With social security	9.75%	7.50%
Without social security	9.50%	7.50%

C. Contributions required and contributions made

The Town's total actual contributions for covered employees for the years ended June 30, 2010, 2009, and 2008 were \$82,725, \$65,924, and \$67,834, respectively. These actual contributions represent 100% of the contributions required to be made. These contributions are more fully broken down as follows:

	2010	2009	2008
Contributions	\$ 66,174	\$ 49,638	\$ 51,368
Fees	2,800	2,430	2,610
Amortization	13,751	13,856	13,856
	<u>\$ 82,725</u>	<u>\$ 65,924</u>	<u>\$ 67,834</u>

D. Teachers

The Lebanon Board of Education participates in the Connecticut Teacher's Retirement Fund through the State of Connecticut Retirement Commission, for coverage of all certified teachers. The certified faculty and administrative personnel of the Board participate in a contributory defined benefit plan established under Chapter 167a of the State of Connecticut General Statutes, which is administered by the Connecticut State Teacher's Retirement Board. All certified teachers are eligible to participate in the plan and are required to contribute 7.25% of their annual earnings. Teachers are fully vested in their contribution up to 5% of their earnings at all times. After five years of service the teachers are fully vested in their own contributions. After ten years of service, teachers are fully vested in the defined benefit plan which is payable at the age of sixty. The State of Connecticut contributes based on actuarially determined amounts. The Town is not required to contribute to this plan.

Town of Lebanon, Connecticut
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Note 11 - Other Post Employment Benefits - OPEB

Government accounting standards board (GASB) Statement No.'s 43 and 45 relate to the accounting and reporting for post-employment benefits other than pension benefits. The Town was required to implement this standard for the fiscal year beginning after December 15, 2007 which would be the Town's fiscal year ended June 30, 2009. The objective of Statement No. 43 - *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, is to establish uniform standards of financial reporting by state and local governmental entities for other postemployment benefit plans (OPEB plans). OPEB plans are plans that provide post-employment healthcare benefits, either separately or through a defined benefit pension plan. The most common forms of healthcare benefits are medical, dental and vision. Other examples of benefits which are covered by this statement include life insurance, disability and long-term care benefits only when they are provided separately from a defined benefit pension plan. Paragraph 9 of this statement tells us that OPEB arise from an exchange of salaries and benefits for employee services, and it is part of the compensation that employers offer for services received.

The Board of Education provides a benefit to its employees upon retirement in the form of the ability to be part of the health insurance plan while paying the full amount of the premium charged for active employees and receiving no physical subsidy from the Schools. Under this Statement, this type of benefit is referred to as an implicit rate subsidy. An implicit rate subsidy exists in effect when a health insurance premium rate is made up of age adjusted factors covering active and retired employees. The health insurance premiums which would be charged to a group of solely retirees are most likely larger than those which would be charged to a group of solely active employees. When these two groups are merged together, a rate somewhere in the middle is charged to all of the employees, whether active or retired. The difference between the premium costs paid by the employer and what would have been paid if the rates were not blended is considered a non current cost of the employer. The difference between the premium costs paid by the retiree and what would have been paid if the rates were not blended is considered a benefit to the retiree. Hence, a very simplified description of an implicit rate subsidy. Retired town hall employees are not provided this benefit.

Plan description

The Board of Education of the Town maintains a single employer defined benefit OPEB Plan. The Plan provides a benefit for retired teachers and administrators in the form of the ability to maintain health insurance coverage through the Plan available to active teachers and administrators of the Board of Education. Non-certified Board employees are eligible to participate in the Plan upon reaching age 55 with at least 5 years of service or upon 25 years of service. Cafeteria workers are not eligible to participate in the plan. Both the retiree and the retiree's spouse are eligible to participate in the plan and they must pay 100% of the cost for medical coverage. A number of different plan coverages are available. Certified Board employees are eligible to participate in the Plan upon reaching age 50 with at least 25 years of service, age 55 with at least 20 years of service or age 60 with at least 10 years of service. Both the retiree and the retiree's spouse are eligible to participate in the plan and they must pay 100% of the cost for medical coverage. A number of different plan coverages are available. The provisions of the Plan were established by the Board of Education along with the respective bargaining units of each group in conjunction with all applicable state statutes. The Plan therefore would be amended through the action of these same groups. These benefits will continue for the life of the retiree once they are a part of the Plan. In addition, benefits for a retirees spouse will also continue for the life of the spouse once they are a part of the Plan. Surviving spouses are permitted to continue coverage after the death of the retiree, but are responsible for continuing to pay the same monthly premium amount or percentage that was being paid while the retiree was alive. The Plan does not issue stand-alone financial statements.

Funding policy and annual OPEB cost

The provisions of the Plan were established by the Board of Education along with the respective bargaining units of each group in conjunction with all applicable state statutes. The Board of Education does not contribute directly to this Plan but rather contributes in the form of an implicit rate subsidy. Retirees under this Plan are required to pay the full amount of the health insurance premiums that are applicable to their particular coverage option. The retiree portion is, however, reduced by an amount contributed by the State of State Retirement Board. The current amount contributed by the State for each retiree is \$110 per month for a single coverage plan and \$220 per month for a dual coverage plan. The State can modify the amount contributed at any time in accordance with applicable State statutes.

Town of Lebanon, Connecticut
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GASB Statement No. 45 does not mandate that a post-employment benefit liability be pre-funded by an organization it simply mandates that the liability be recorded and that certain related information be disclosed. The Board of Education of the Town currently plans to fund these benefits on a pay-as-you-go basis. As a result, no assets of the Town have been segregated and restricted to fund or provide these post-employment benefits. The annual required contribution (ARC), which is an actuarial determined amount, represents a level amount of funding, which if paid on an ongoing basis, would be projected to cover the normal cost each year and to amortize the unfunded actuarial liability over a period not to exceed thirty years.

The following table represents the OPEB costs for the Town in relation to the Board of Education OPEB plan for the current fiscal year and the annual required contribution.

Normal cost	\$ 149,000
Amortization of unfunded actuarial accrued liability	278,000
Interest	9,000
Annual required contribution (ARC)	<u>\$ 436,000</u>

Funding status

The Town's annual OPEB cost and the net OPEB obligation as it relates to the OPEB Plan of the Board of Education of the Town for the fiscal year ending June 30, 2010 are as follows.

Annual required contribution (ARC)	\$ 436,000
Interest on beginning NOO (B) at 4.00%	13,400
Adjustment to ARC beginning NOO (B) divided by 17.98	<u>-18,600</u>
Annual OPEB Cost	430,800
Amount contributed	<u>-166,200</u>
 Increase in Net OPEB Obligation	 264,600
 Net OPEB Obligation as of June 30, 2009 (B)	 <u>335,300</u>
 Net OPEB Obligation as of June 30, 2010	 <u>\$ 599,900</u>

Actuarial methods and assumptions

The projections of benefits associated with the Plan are based on the substantive Plan (this is the plan as it is understood by the employer and the plan members) and include the types of benefits available at the valuation date and the pattern of sharing the cost of these benefits between the Board of Education of the Town and the members of the Plan. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets. Significant methods and assumptions made in making the applicable actuarial calculations are as follows.

Actuarial valuation date	07/01/08
Actuarial cost method	Projected unit credit
Amortization method	Level dollar
Remaining amortization period	30 years
 Actuarial assumptions	
Interest	4.00%
Projected salary increases	N/A
Healthcare inflation rate	10.00% for 2008, decreasing 1.00% per year to an ultimate rate of 5.00% for 2013 and later

Town of Lebanon, Connecticut
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Schedule of funding progress

Actuarial valuations involve a number of estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions based on actual results as compared to past expectations and new estimates based on expected future events and conditions. The required schedule of funding progress presented below provides multi-year trend information (only one year is currently available) intended to show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial valuation date	Actuarial value of plan assets (a)	Actuarial accrued liability (AAL) entry age (b)	Unfunded AAL (UAAL) (a - b)	Funded ratio (a / b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b - a) / c)
07/01/08	<u>\$ -</u>	<u>\$ 4,998,000</u>	<u>\$ 4,998,000</u>	<u>0.00%</u>	<u>\$ 9,850,000</u>	<u>50.70%</u>

Schedule of employer contributions

The following schedule shows the Board of Educations annual OPEB cost, its annual contributions, the percentage of the annual OPEB costs contributed and the Net OPEB Obligation.

Fiscal year ending	Annual OPEB cost (AOC)	Actual contributions	Percentage of AOC contributed	Net OPEB Obligation (NOO)
06/30/09	<u>\$ 429,000</u>	<u>\$ 93,700</u>	<u>21.80%</u>	<u>\$ 335,300</u>
06/30/10	<u>\$ 430,800</u>	<u>\$ 166,200</u>	<u>38.60%</u>	<u>\$ 599,900</u>

Note 12 - On-behalf payments

As required by accounting principles generally accepted in the United States of America (GAAP), the Town has recorded a revenue and expenditure for Connecticut State Teachers' Retirement Board Contributions made by the State of Connecticut on-behalf of the Lebanon School Department teachers for the fiscal year ended June 30, 2010. The pension contributions made by the State are determined on an actuarial reserve basis as described in sections 10-1831 and 10-183z, C.G.S. For the fiscal year ended June 30, 2010, the Lebanon School Department's total covered payroll was approximately \$8,588,175 and the applicable on-behalf payment percentage for the period was 15.47%. This amount was not budgeted for in the general fund and results in a difference in reporting on a budgetary basis of accounting versus reporting under GAAP. An intergovernmental revenue in the amount of \$1,328,591 and an education expenditure of \$1,328,591 have been included in the general fund on Statement D (GAAP basis) and have not been reported in Statement E (budgetary basis) of the fund financial statements. There is no effect on the fund balance at the end of the year. An operating grants and contributions revenue in the amount of \$1,328,591 and an expense in the governmental activities section under a separate education function line item of \$1,328,591 have been included on Statement B of the government-wide financial statements. There is no effect on the net asset balance at the end of the year. The above State funding percentage of 15.47% compares to 15.44% during the prior fiscal year. The above State on-behalf payment of \$1,328,591 compares to \$1,293,341 during the prior fiscal year.

Town of Lebanon, Connecticut
Notes to Financial Statements
June 30, 2010

Note 13 - Commitments and contingencies - Operating leases

The Town and more specifically the school department of the Town lease a number of photocopiers under a lease agreement which is classified as an operating lease. For this lease to be classified as a capital lease it must meet at least one of the following four criteria: 1) The lease passes title to the lessee by the end of the lease term, 2) the lease contains a bargain purchase option, 3) the lease term is at least 75% of the property's estimated economic life, or 4) the present value of the minimum lease payments is at least 90% of the property's fair value. According to the terms of the lease agreements, the first and second criteria is not met. For criteria three and four, the estimate made is that at the end of the lease term the copiers will be refurbished by the lessor and leased in another capacity and payment amount to another lessee. This lease agreement is for a period of five years through December of 2013. The monthly payment for this lease agreement is \$4,015 which equals annual payments of \$48,180. The Town and the school department have a number of other operating type lease agreements which are not material in nature and therefore have not been included here.

Note 14 - Risk management, commitments and contingencies - other

The Town is at risk of loss due to items such as lawsuits, automobile claims, and theft. The Town has purchased commercial insurance coverage for any of these types of loss which may occur. The Town believes the amounts of coverage in force are adequate and in compliance with all applicable laws, rules, and regulations. The Town has not had any significant reductions in insurance coverage from the prior fiscal year by major category of risk. The amount of settlements have not exceeded insurance coverage during any of the previous three fiscal years.

The Town Clerk received notice pursuant to Connecticut general statute §7-465 of a potential action against the town for injuries received as a result of dog bites by dogs owned within the Town of Lebanon. A civil suit has not yet, as of the end of November 2010, been instituted against the Town. This matter has been referred to the Town's insurance company for defense in the event that a civil action is instituted against the Town. The Town denies any liability in this matter and intends to vigorously defend any action. The Town Clerk received notice pursuant to General Statutes §7-101a, 7-308 and 7-465 reciting the intention to institute a suit against the Town of Lebanon, the Lebanon Fire Department and others as it relates to an incident at Amston Lake in October 2005. A civil suit has not yet, as of the end of November 2010, been instituted against the Town. This matter has been referred to the Town's insurance company for defense in the event that a civil action is instituted against the Town. The Town denies any liability in this matter and intends to vigorously defend any action. A civil action has been instituted against the Town and one of its employees for injuries received while riding in a Town owned van. This matter has been referred to the Town's insurance company for defense in the event that a civil action is instituted against the Town. The Town denies any liability in this matter and intends to vigorously defend any action.

The Town and the Board of Education have entered into a number of maintenance and service agreements which extend beyond the end of the current fiscal year. The Board of Education has a facility management systems, temperature control and system support services contract which encompasses each of the three schools which is for a one year period beginning July 1, 2009. The Town has a cleaning and maintenance contract which encompasses a number of Town buildings and facilities. The Town also has a lawn and cemetery care maintenance contract. Specific information on these two maintenance agreements can be found in the office of the first selectman. The Town and Board of Education also have a number of different construction contracts for various projects at various stages of completion. These construction contracts cover such activities as the Alden tavern parking lot project and a number of bridge construction projects. The Town and Board of Education also have a number of smaller maintenance and service agreements. These agreements are considered individually immaterial. Additional information on these construction contracts and smaller agreements can be found at the administrative offices of both the Town and the Board of Education.

The Town participates in numerous Federal and State grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any monies received as of and through June 30, 2010 may be impaired. In the opinion of the management of the Town, there are no unrecorded significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants, therefore, no provision has been recorded in the accompanying basic financial statements for such possible contingencies. In addition, the Town occasionally books unbilled accounts receivable representing earned or recognized grant or contract dollars which have not yet been billed or received. Any subsequent modification or amendments to these grants or contracts could result in a loss to the Town. However, in the opinion of the management of the Town there are no unrecorded significant contingent liabilities in regard to these unbilled accounts receivable. Any material subsequent modifications or amendments would be shown by the Town as a restatement of the prior fiscal year results in which the applicable unbilled receivable had been booked.

Town of Lebanon, Connecticut
Notes to Financial Statements
June 30, 2010

The carrying amount of the Town's cash balances as of June 30, 2010 totaled \$5,395,291 with the related balances being carried by the various financial institutions totaling \$5,466,015. The difference between the two amounts being represented by timing differences with outstanding checks and deposits in transit. The deposits of the Town are insured by the various financial institutions through the Federal Deposit Insurance Corporation (FDIC). FDIC provides insurance on the Town's deposits in the amount of \$250,000 per official custodian for its cumulative accounts at each of the various financial institutions. In addition, two of the financial institutions with which the Town does a majority of its business are currently participating in the FDIC's Temporary Liquidity Guarantee Program which consists of the Transaction Account Guarantee program. This program provides the Town as a customer of the financial institutions with unlimited FDIC coverage on all non-interest bearing transaction deposit accounts and NOW accounts with an annual percentage yield of less than .25%. This additional coverage runs through December 31, 2010. Due to the use of these two main financial institutions for the majority of the Town's cash, the cumulative amounts at these two financial institutions exceed the amount covered by FDIC. As a result, these excess balances represented uninsured cash balances and risks to the Town in the event of failure by these financial institutions. Though the failure of these financial institutions is unlikely, the risk to the Town is material. As of June 30, 2010, approximately \$2,351,781 of these financial institution balances were uninsured representing approximately 43% of the Town's total cash balances being carried by banks. For the discretely presented component unit, the carrying amount of the cash balance as of June 30, 2010 totaled \$508,899 with the related financial institution balances totaling \$510,381. Of these financial institution balances, \$242,569 represented uninsured balances or approximately 48%.

Note 15 - Prior period adjustments and reclassifications

A prior period adjustment was made to the government-wide financial statements as of June 30, 2009 relating to the implementation of Government Accounting Standards Board (GASB) statement numbers 43 and 45. These two statements relate to the accounting and reporting for post employment benefits other than pension benefits. The Town was required to implement the applicable portions of these two statements for the fiscal year ended June 30, 2009. These statements were not implemented for the prior fiscal year but rather during the current fiscal year. This resulted in a determination of the expense and liability amounts which should have been recorded as of June 30, 2009. As a result, a prior period adjustment was done on the statement of activities in the amount of \$335,300 reducing the net asset balance as of June 30, 2009. The corresponding liability and expense amounts have been adjusted as applicable within the management discussion and analysis section of these statements. These corresponding adjustments consisted of increasing education expenditures by \$335,300 and increasing long-term liabilities by \$335,300.

A prior period reclassification was made on the fund financial statements in the amount of \$22,622 as of June 30, 2009. This reclassification moved expenses related to the tobacco street bridge project from the non-major capital project funds to the capital non-recurring major fund. This reclassification was done because the bridge project is currently being accounted for within the capital non-recurring fund and it was deemed appropriate to transfer this prior year activity to this fund as well. This reclassification had no effect on the overall fund balance on the fund financial statements and was not necessary within the government-wide financial statements. An additional prior period reclassification was made as of June 30, 2009 to reclassify the activities of the Lebanon Volunteer Fire Department from a blended component unit to a discretely presented component unit. This reclassification reduced the non-major special revenue fund balance by \$501,697 in the fund financial statements and it decreased the beginning net asset balance as shown on the statement of activities by the same amount in the government-wide financial statements. This reclassification also created separate reporting columns on the government-wide statement of net assets and activities for the primary governmental activities of the Town and the activities of the discretely presented component unit. The corresponding asset, liability, equity, revenues and expense amounts have been adjusted as applicable in the management and discussion section of these statements. These corresponding adjustments consisted of reducing the prior year beginning net assets balance by \$387,292 and reducing the prior year revenue balances by \$197,823 for the net results of the previously reported blended component unit. In addition, the prior year expense balances were reduced by \$83,418 for the net results of the previously reported blended component unit. These three amounts which were reduced totaled the \$501,697 prior period reclassification amount. Assets were reduced by \$508,945 representing the previously reported cash balances of the component unit and liabilities were reduced by \$7,248 representing the previously reported accounts payable balances of the component unit.

Note 16 - New accounting pronouncement

The Government Accounting Standards Board issues authoritative pronouncements that address certain accounting application and reporting practices of governmental entities. The GASB has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement is effective for fiscal periods beginning after June 15, 2010. This statement is intended to increase the usefulness of reported fund balance information by creating more distinct fund balance classification that will allow for a more consistent application of governmental fund type definitions and comparability among state and local governments. This new statement will change the way that the Town reports the different components of its governmental fund balances. The effects of the implementation of this new statement will be seen on the fund financial statements of the Town for the fiscal year ending June 30, 2011.

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major governmental funds
As of and for the year ended June 30, 2010

	Non-major special revenue funds	Non-major capital project funds	Non-major permanent funds	Totals
Assets				
Cash	\$ 1,617,847	\$ 16,980	\$ 334,728	\$ 1,969,555
Investments	-	-	7,043	7,043
Accounts receivable (net)				
Intergovernmental	26,130	-	-	26,130
Other	617,148	18,509	-	635,657
Inventories	11,787	-	-	11,787
Due from other funds	632,636	22,924	-	655,560
Total assets	<u>2,905,548</u>	<u>58,413</u>	<u>341,771</u>	<u>3,305,732</u>
Liabilities				
Accounts payable	32,657	-	-	32,657
Deferred property tax revenue	-	18,509	-	18,509
Due to other funds	1,306,207	35,363	22,270	1,363,840
Total liabilities	<u>1,338,864</u>	<u>53,872</u>	<u>22,270</u>	<u>1,415,006</u>
Fund balance				
Reserved	651,802	-	319,928	971,730
Unreserved	914,882	4,541	-427	918,996
Total fund balance	<u>1,566,684</u>	<u>4,541</u>	<u>319,501</u>	<u>1,890,726</u>
Total liabilities and fund balance	<u>\$ 2,905,548</u>	<u>\$ 58,413</u>	<u>\$ 341,771</u>	<u>\$ 3,305,732</u>
Revenues				
Intergovernmental	\$ 1,745,452	\$ 29,254	\$ -	\$ 1,774,706
Interest and dividends	938	-	6,497	7,435
Charges for services	347,478	-	-	347,478
Miscellaneous	360,006	5,365	1,054	366,425
Total revenues	<u>2,453,874</u>	<u>34,619</u>	<u>7,551</u>	<u>2,496,044</u>
Expenditures				
Salary and wages	799,104	-	-	799,104
Program operating costs	1,488,709	-	-	1,488,709
Capital outlay	215,931	14,815	-	230,746
Miscellaneous	166,136	-	2,537	168,673
Total expenditures	<u>2,669,880</u>	<u>14,815</u>	<u>2,537</u>	<u>2,687,232</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-216,006</u>	<u>19,804</u>	<u>5,014</u>	<u>-191,188</u>
Other financing sources (uses)				
Transfers in	449,321	-	-	449,321
Transfers out	-38,728	-	-5,337	-44,065
Total other financing sources (uses)	<u>410,593</u>	<u>-</u>	<u>-5,337</u>	<u>405,256</u>
Net change in fund balance	194,587	19,804	-323	214,068
Fund balance - July 1	<u>1,372,097</u>	<u>-15,263</u>	<u>319,824</u>	<u>1,676,658</u>
Fund balance - June 30	<u>\$ 1,566,684</u>	<u>\$ 4,541</u>	<u>\$ 319,501</u>	<u>\$ 1,890,726</u>

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2010

	Trumbull donations fund	School lunch program	Lebanon public library	Alden tavern parking lot grant	Housing rehab grant	Housing rehab loan fund
Assets						
Cash	\$ -	\$ 71,694	\$ 124,428	\$ -	\$ 5,004	\$ 27,857
Accounts receivable (net)						
Intergovernmental	-	16,417	-	-	-	-
Other	-	-	2,499	1	-	612,579
Inventories	-	11,787	-	-	-	-
Due from other funds	244,665	-	1,529	-	-	-
Total assets	244,665	99,898	128,456	1	5,004	640,436
Liabilities						
Accounts payable	95	3,579	1,516	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	14,614	94,740	-	5,004	421
Total liabilities	95	18,193	96,256	-	5,004	421
Fund balance						
Reserved	-	11,787	-	-	-	640,015
Unreserved	244,570	69,918	32,200	1	-	-
Total fund balance	244,570	81,705	32,200	1	-	640,015
Total liabilities and fund balance	\$ 244,665	\$ 99,898	\$ 128,456	\$ 1	\$ 5,004	\$ 640,436
Revenues						
Intergovernmental - education	\$ -	\$ 122,472	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	-	-	2,394	195,248	283,000	-
Interest and dividends	-	-	-	-	-	-
Charges for services	-	273,615	-	-	-	-
Miscellaneous	1,500	7,462	15,444	-	-	230,501
Total revenues	1,500	403,549	17,838	195,248	283,000	230,501
Expenditures						
Salary and wages	-	219,107	137,422	-	-	-
Program operating costs	-	153,381	109,349	-	250,446	44,939
Capital outlay	22,783	-	-	193,148	-	-
Miscellaneous	350	4,418	5,912	2,099	34,000	1,204
Total expenditures	23,133	376,906	252,683	195,247	284,446	46,143
Excess (deficiency) of revenues over (under) expenditures	-21,633	26,643	-234,845	1	-1,446	184,358
Other financing sources (uses)						
Transfers in	25,691	-	237,111	-	-	-
Transfers out	-33,037	-	-	-	-	-
Total other financing sources (uses)	-7,346	-	237,111	-	-	-
Net change in fund balance	-28,979	26,643	2,266	1	-1,446	184,358
Fund balance - July 1	273,549	55,062	29,934	-	1,446	455,657
Fund balance - June 30	\$ 244,570	\$ 81,705	\$ 32,200	\$ 1	\$ -	\$ 640,015

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2010

	Lebanon recreation commission	Jonathan Trumbull Jr. house	Dog fund	Adams community center	Historic document preservation	Locip surcharge
Assets						
Cash	\$ 5,790	\$ 39,169	\$ -	\$ -	\$ -	\$ -
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	310	-	1,759	-	-
Inventories	-	-	-	-	-	-
Due from other funds	26,759	6,388	-	29,538	12,716	24,250
Total assets	32,549	45,867	-	31,297	12,716	24,250
Liabilities						
Accounts payable	1,954	-	116	10,162	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	-	4,977	-	-	-
Total liabilities	1,954	-	5,093	10,162	-	-
Fund balance						
Reserved	-	-	-	-	-	-
Unreserved	30,595	45,867	-5,093	21,135	12,716	24,250
Total fund balance	30,595	45,867	-5,093	21,135	12,716	24,250
Total liabilities and fund balance	\$ 32,549	\$ 45,867	\$ -	\$ 31,297	\$ 12,716	\$ 24,250
Revenues						
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	-	-	-	-	-	-
Interest and dividends	-	31	-	-	-	-
Charges for services	56,591	-	3,044	1,975	2,840	4,260
Miscellaneous	-	1,027	588	-	-	-
Total revenues	56,591	1,058	3,632	1,975	2,840	4,260
Expenditures						
Salary and wages	24,811	5,980	8,608	-	-	-
Program operating costs	41,490	7,491	4,957	14,299	2,650	-
Capital outlay	-	-	-	-	-	-
Miscellaneous	2,443	10,611	273	14,481	-	-
Total expenditures	68,744	24,082	13,838	28,780	2,650	-
Excess (deficiency) of revenues over (under) expenditures	-12,153	-23,024	-10,206	-26,805	190	4,260
Other financing sources (uses)						
Transfers in	32,500	9,120	17,000	22,499	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	32,500	9,120	17,000	22,499	-	-
Net change in fund balance	20,347	-13,904	6,794	-4,306	190	4,260
Fund balance - July 1	10,248	59,771	-11,887	25,441	12,526	19,990
Fund balance - June 30	\$ 30,595	\$ 45,867	\$ -5,093	\$ 21,135	\$ 12,716	\$ 24,250

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2010

	Summer dance festival	Town improvement program	Warm hearts	Senior vans	Agriculture viability grant	Agriculture viability grant
Assets						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Due from other funds	11,260	38,162	14,839	59,271	4,746	-
Total assets	11,260	38,162	14,839	59,271	4,746	-
Liabilities						
Accounts payable	-	967	513	616	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	-	967	513	616	-	-
Fund balance						
Reserved	-	-	-	-	-	-
Unreserved	11,260	37,195	14,326	58,655	4,746	-
Total fund balance	11,260	37,195	14,326	58,655	4,746	-
Total liabilities and fund balance	\$ 11,260	\$ 38,162	\$ 14,839	\$ 59,271	\$ 4,746	\$ -
Revenues						
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	-	-	-	31,774	23,500	9,500
Interest and dividends	-	-	-	-	-	-
Charges for services	-	-	-	3,253	-	-
Miscellaneous	9,895	100	5,881	-	380	-
Total revenues	9,895	100	5,881	35,027	23,880	9,500
Expenditures						
Salary and wages	-	-	-	35,507	-	-
Program operating costs	7,434	48,927	7,583	16,626	19,700	5,837
Capital outlay	-	-	-	-	-	-
Miscellaneous	-	-	-	1,146	-	-
Total expenditures	7,434	48,927	7,583	53,279	19,700	5,837
Excess (deficiency) of revenues over (under) expenditures	2,461	-48,827	-1,702	-18,252	4,180	3,663
Other financing sources (uses)						
Transfers in	-	48,000	-	57,400	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	48,000	-	57,400	-	-
Net change in fund balance	2,461	-827	-1,702	39,148	4,180	3,663
Fund balance - July 1	8,799	38,022	16,028	19,507	566	-3,663
Fund balance - June 30	\$ 11,260	\$ 37,195	\$ 14,326	\$ 58,655	\$ 4,746	\$ -

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2010

	Homeland security grant	CL&P substation grant	Cemetery lots	Walkway and tree fund	Adams tree fund	Historic building improvement
Assets						
Cash	\$ -	\$ -	\$ 37,860	\$ -	\$ 1	\$ 10,067
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Due from other funds	-	-	43,359	-	-	-
Total assets	-	-	81,219	-	1	10,067
Liabilities						
Accounts payable	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	2,993	135	-	-	-	-
Total liabilities	2,993	135	-	-	-	-
Fund balance						
Reserved	-	-	-	-	-	-
Unreserved	-2,993	-135	81,219	-	1	10,067
Total fund balance	-2,993	-135	81,219	-	1	10,067
Total liabilities and fund balance	\$ -	\$ -	\$ 81,219	\$ -	\$ 1	\$ 10,067
Revenues						
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	-	-	-	-	-	-
Interest and dividends	-	-	30	-	3	8
Charges for services	-	-	1,900	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	-	-	1,930	-	3	8
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Miscellaneous	172	-	100	-	-	-
Total expenditures	172	-	100	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-172	-	1,830	-	3	8
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-1,810	-3,881	-
Total other financing sources (uses)	-	-	-	-1,810	-3,881	-
Net change in fund balance	-172	-	1,830	-1,810	-3,878	8
Fund balance - July 1	-2,821	-135	79,389	1,810	3,879	10,059
Fund balance - June 30	\$ -2,993	\$ -135	\$ 81,219	\$ -	\$ 1	\$ 10,067

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2010

	Anthem demutual. proceeds	Vo-ag. equipment grant	Special ed excess costs grant	Unimproved Town roads	Rails to trails grant	Senior center donations
Assets						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Due from other funds	51,639	-	-	48,879	-	5,949
Total assets	51,639	-	-	48,879	-	5,949
Liabilities						
Accounts payable	-	-	-	2,613	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	27,749	-	-	40	-
Total liabilities	-	27,749	-	2,613	40	-
Fund balance						
Reserved	-	-	-	-	-	-
Unreserved	51,639	-27,749	-	46,266	-40	5,949
Total fund balance	51,639	-27,749	-	46,266	-40	5,949
Total liabilities and fund balance	\$ 51,639	\$ -	\$ -	\$ 48,879	\$ -	\$ 5,949
Revenues						
Intergovernmental - education	\$ -	\$ -	\$ 501,892	\$ -	\$ -	\$ -
Intergovernmental - other	-	-	-	47,266	43,990	-
Interest and dividends	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	7,040
Total revenues	-	-	501,892	47,266	43,990	7,040
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	-	-	501,892	33,576	44,128	-
Capital outlay	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	2,076
Total expenditures	-	-	501,892	33,576	44,128	2,076
Excess (deficiency) of revenues over (under) expenditures	-	-	-	13,690	-138	4,964
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balance	-	-	-	13,690	-138	4,964
Fund balance - July 1	51,639	-27,749	-	32,576	98	985
Fund balance - June 30	\$ 51,639	\$ -27,749	\$ -	\$ 46,266	\$ -40	\$ 5,949

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2010

	Equipment training grant	Clean energy grant	ARRA justice assistance	State aid drug abuse grant	Misc. donations fund	Jared Hinckley scholar.
Assets						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,012
Accounts receivable (net)						
Intergovernmental	9,713	-	-	-	-	-
Other	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Due from other funds	-	1,593	-	628	1,915	-
Total assets	9,713	1,593	-	628	1,915	50,012
Liabilities						
Accounts payable	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	9,458	-	-	-	-	-
Total liabilities	9,458	-	-	-	-	-
Fund balance						
Reserved	-	-	-	-	-	-
Unreserved	255	1,593	-	628	1,915	50,012
Total fund balance	255	1,593	-	628	1,915	50,012
Total liabilities and fund balance	\$ 9,713	\$ 1,593	\$ -	\$ 628	\$ 1,915	\$ 50,012
Revenues						
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	2,947	-	6,746	-	-	-
Interest and dividends	-	-	-	-	-	600
Charges for services	-	-	-	-	-	-
Miscellaneous	-	2,000	-	-	3,350	-
Total revenues	2,947	2,000	6,746	-	3,350	600
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	2,692	2,407	6,746	-	-	-
Capital outlay	-	-	-	-	-	-
Miscellaneous	-	-	-	-	1,435	632
Total expenditures	2,692	2,407	6,746	-	1,435	632
Excess (deficiency) of revenues over (under) expenditures	255	-407	-	-	1,915	-32
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balance	255	-407	-	-	1,915	-32
Fund balance - July 1	-	2,000	-	628	-	50,044
Fund balance - June 30	\$ 255	\$ 1,593	\$ -	\$ 628	\$ 1,915	\$ 50,012

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2010

	Kalmon Kurcinik scholar.	Mary Chase scholar.	Robert L. Hanover scholar.	Richard Woyasz scholar.	Flegert Ausburger scholar.	Nicholas Trahan scholar.
Assets						
Cash	\$ 9,508	\$ 7,940	\$ 2,496	\$ 1,516	\$ 2,450	\$ 9,738
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	9,508	7,940	2,496	1,516	2,450	9,738
Liabilities						
Accounts payable	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
Fund balance						
Reserved	-	-	-	-	-	-
Unreserved	9,508	7,940	2,496	1,516	2,450	9,738
Total fund balance	9,508	7,940	2,496	1,516	2,450	9,738
Total liabilities and fund balance	\$ 9,508	\$ 7,940	\$ 2,496	\$ 1,516	\$ 2,450	\$ 9,738
Revenues						
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	-	-	-	-	-	-
Interest and dividends	108	24	28	42	19	40
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	108	24	28	42	19	40
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Miscellaneous	350	-	350	-	-	-
Total expenditures	350	-	350	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-242	24	-322	42	19	40
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balance	-242	24	-322	42	19	40
Fund balance - July 1	9,750	7,916	2,818	1,474	2,431	9,698
Fund balance - June 30	\$ 9,508	\$ 7,940	\$ 2,496	\$ 1,516	\$ 2,450	\$ 9,738

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2010

	Lebanon school prizes	IDEA Part B section 611 \$255,293 7/07 - 6/09	IDEA Part B section 611 \$254,620 7/08 - 6/10	IDEA Part B section 611 \$269,617 7/09 - 6/11	IDEA Part B section 619 \$10,197 7/08 - 6/10	IDEA Part B section 619 \$10,216 7/09 - 6/11
Assets						
Cash	\$ 1,769	\$ 2,968	\$ 29,729	\$ 186,643	\$ -	\$ -
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Due from other funds	-	4,551	-	-	-	-
Total assets	1,769	7,519	29,729	186,643	-	-
Liabilities						
Accounts payable	-	-	5,760	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	-	6,083	155,000	-	-
Total liabilities	-	-	11,843	155,000	-	-
Fund balance						
Reserved	-	-	-	-	-	-
Unreserved	1,769	7,519	17,886	31,643	-	-
Total fund balance	1,769	7,519	17,886	31,643	-	-
Total liabilities and fund balance	\$ 1,769	\$ 7,519	\$ 29,729	\$ 186,643	\$ -	\$ -
Revenues						
Intergovernmental - education	\$ -	\$ 2,616	\$ 15,816	\$ 255,000	\$ 8,640	\$ 10,216
Intergovernmental - other	-	-	-	-	-	-
Interest and dividends	5	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	5	2,616	15,816	255,000	8,640	10,216
Expenditures						
Salary and wages	-	-	16,279	155,000	-	-
Program operating costs	-	-	20,723	68,357	-	10,216
Capital outlay	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total expenditures	-	-	37,002	223,357	-	10,216
Excess (deficiency) of revenues over (under) expenditures	5	2,616	-21,186	31,643	8,640	-
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balance	5	2,616	-21,186	31,643	8,640	-
Fund balance - July 1	1,764	4,903	39,072	-	-8,640	-
Fund balance - June 30	\$ 1,769	\$ 7,519	\$ 17,886	\$ 31,643	\$ -	\$ -

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2010

	ARRA					
	Title I basic \$60,213 7/07 - 6/09	Title I basic \$52,583 7/09 - 6/11	IDEA Part B section 611 \$286,892 2/09 - 6/11	IDEA Part B section 619 \$11,352 2/09 - 6/11	Stabilization ed. grants \$502,812 7/09 - 6/10	Stabilization gov services \$277,228 7/09 - 6/10
Assets						
Cash	\$ -	\$ 52,583	\$ -4,663	\$ -4,314	\$ 502,812	\$ 277,228
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	-	52,583	-4,663	-4,314	502,812	277,228
Liabilities						
Accounts payable	-	-	1,705	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	52,583	50,000	-	502,812	277,228
Total liabilities	-	52,583	51,705	-	502,812	277,228
Fund balance						
Reserved	-	-	-	-	-	-
Unreserved	-	-	-56,368	-4,314	-	-
Total fund balance	-	-	-56,368	-4,314	-	-
Total liabilities and fund balance	\$ -	\$ 52,583	\$ -4,663	\$ -4,314	\$ 502,812	\$ 277,228
Revenues						
Intergovernmental - education	\$ -	\$ 52,583	\$ 7,000	\$ 950	\$ -	\$ -
Intergovernmental - other	-	-	-	-	-	-
Interest and dividends	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	-	52,583	7,000	950	-	-
Expenditures						
Salary and wages	-	52,583	50,000	-	-	-
Program operating costs	-	-	12,209	4,924	-	-
Capital outlay	-	-	-	-	-	-
Miscellaneous	600	-	1,159	340	-	-
Total expenditures	600	52,583	63,368	5,264	-	-
Excess (deficiency) of revenues over (under) expenditures	-600	-	-56,368	-4,314	-	-
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balance	-600	-	-56,368	-4,314	-	-
Fund balance - July 1	600	-	-	-	-	-
Fund balance - June 30	\$ -	\$ -	\$ -56,368	\$ -4,314	\$ -	\$ -

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2010

	Title II A teachers \$33,758 7/08 - 6/10	Title II A teachers \$33,505 7/09 - 6/11	Title II D technology \$262 7/08 - 6/10	Title IV strategies \$2,788 7/08 - 6/10	Title IV strategies \$2,683 7/09 - 6/11
Assets					
Cash	\$ 11,984	\$ -2,795	\$ -	\$ 1,024	\$ 1,764
Accounts receivable (net)					
Intergovernmental	-	-	-	-	-
Other	-	-	-	-	-
Inventories	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	11,984	-2,795	-	1,024	1,764
Liabilities					
Accounts payable	-	2,795	-	-	-
Deferred revenue	-	-	-	-	-
Due to other funds	-	3,156	-	-	1,764
Total liabilities	-	5,951	-	-	1,764
Fund balance					
Reserved	-	-	-	-	-
Unreserved	11,984	-8,746	-	1,024	-
Total fund balance	11,984	-8,746	-	1,024	-
Total liabilities and fund balance	\$ 11,984	\$ -2,795	\$ -	\$ 1,024	\$ 1,764
Revenues					
Intergovernmental - education	\$ -	\$ 7,000	\$ -	\$ -	\$ -
Intergovernmental - other	-	-	-	-	-
Interest and dividends	-	-	-	-	-
Charges for services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	-	7,000	-	-	-
Expenditures					
Salary and wages	-	3,156	-	1,764	-
Program operating costs	7,779	12,590	262	-	-
Capital outlay	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total expenditures	7,779	15,746	262	1,764	-
Excess (deficiency) of revenues over (under) expenditures	-7,779	-8,746	-262	-1,764	-
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	-7,779	-8,746	-262	-1,764	-
Fund balance - July 1	19,763	-	262	2,788	-
Fund balance - June 30	\$ 11,984	\$ -8,746	\$ -	\$ 1,024	\$ -

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2010

	School readiness \$107,000 7/09 - 6/10	Adult education \$7,890 7/09 - 6/10	NECASA \$2,285 7/08 - 6/09	NECASA \$2,285 7/09 - 6/10	Prior years school grants
Assets					
Cash	\$ 92,047	\$ 4,035	\$ 114	\$ 1,634	\$ 6,223
Accounts receivable (net)					
Intergovernmental	-	-	-	-	-
Other	-	-	-	-	-
Inventories	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	92,047	4,035	114	1,634	6,223
Liabilities					
Accounts payable	266	-	-	-	-
Deferred revenue	-	-	-	-	-
Due to other funds	91,781	4,035	-	1,634	-
Total liabilities	92,047	4,035	-	1,634	-
Fund balance					
Reserved	-	-	-	-	-
Unreserved	-	-	114	-	6,223
Total fund balance	-	-	114	-	6,223
Total liabilities and fund balance	\$ 92,047	\$ 4,035	\$ 114	\$ 1,634	\$ 6,223
Revenues					
Intergovernmental - education	\$ 107,000	\$ 7,902	\$ -	\$ -	\$ -
Intergovernmental - other	-	-	-	-	-
Interest and dividends	-	-	-	-	-
Charges for services	-	-	-	-	-
Miscellaneous	-	-	-	2,285	-
Total revenues	107,000	7,902	-	2,285	-
Expenditures					
Salary and wages	88,887	-	-	-	-
Program operating costs	16,108	7,902	1,089	-	-
Capital outlay	-	-	-	-	-
Miscellaneous	2,005	-	-	2,285	-460
Total expenditures	107,000	7,902	1,089	2,285	-460
Excess (deficiency) of revenues over (under) expenditures	-	-	-1,089	-	460
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	-	-	-1,089	-	460
Fund balance - July 1	-	-	1,203	-	5,763
Fund balance - June 30	\$ -	\$ -	\$ 114	\$ -	\$ 6,223

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2010

	LES school activities	LMS school activities	LHS school activities	Totals
Assets				
Cash	\$ 12,038	\$ 24,879	\$ 14,615	\$ 1,617,847
Accounts receivable (net)				
Intergovernmental	-	-	-	26,130
Other	-	-	-	617,148
Inventories	-	-	-	11,787
Due from other funds	-	-	-	632,636
Total assets	<u>12,038</u>	<u>24,879</u>	<u>14,615</u>	<u>2,905,548</u>
Liabilities				
Accounts payable	-	-	-	32,657
Deferred revenue	-	-	-	-
Due to other funds	-	-	-	1,306,207
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,338,864</u>
Fund balance				
Reserved	-	-	-	651,802
Unreserved	12,038	24,879	14,615	914,882
Total fund balance	<u>12,038</u>	<u>24,879</u>	<u>14,615</u>	<u>1,566,684</u>
Total liabilities and fund balance	<u>\$ 12,038</u>	<u>\$ 24,879</u>	<u>\$ 14,615</u>	<u>\$ 2,905,548</u>
Revenues				
Intergovernmental - education	\$ -	\$ -	\$ -	\$ 1,099,087
Intergovernmental - other	-	-	-	646,365
Interest and dividends	-	-	-	938
Charges for services	-	-	-	347,478
Miscellaneous	6,159	35,292	31,102	360,006
Total revenues	<u>6,159</u>	<u>35,292</u>	<u>31,102</u>	<u>2,453,874</u>
Expenditures				
Salary and wages	-	-	-	799,104
Program operating costs	-	-	-	1,488,709
Capital outlay	-	-	-	215,931
Miscellaneous	15,610	29,929	32,616	166,136
Total expenditures	<u>15,610</u>	<u>29,929</u>	<u>32,616</u>	<u>2,669,880</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-9,451</u>	<u>5,363</u>	<u>-1,514</u>	<u>-216,006</u>
Other financing sources (uses)				
Transfers in	-	-	-	449,321
Transfers out	-	-	-	-38,728
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>410,593</u>
Net change in fund balance	-9,451	5,363	-1,514	194,587
Fund balance - July 1	<u>21,489</u>	<u>19,516</u>	<u>16,129</u>	<u>1,372,097</u>
Fund balance - June 30	<u>\$ 12,038</u>	<u>\$ 24,879</u>	<u>\$ 14,615</u>	<u>\$ 1,566,684</u>

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major capital project funds
As of and for the year ended June 30, 2010

	Lake Williams project	Town bridge projects	Totals
Assets			
Cash	\$ 16,980	\$ -	\$ 16,980
Accounts receivable (net)			
Property taxes	18,509	-	18,509
Intergovernmental	-	-	-
Other	-	-	-
Due from other funds	22,083	841	22,924
Total assets	<u>57,572</u>	<u>841</u>	<u>58,413</u>
Liabilities			
Accounts payable	-	-	-
Deferred property tax revenue	18,509	-	18,509
Due to other funds	-	35,363	35,363
Total liabilities	<u>18,509</u>	<u>35,363</u>	<u>53,872</u>
Fund balance			
Reserved	-	-	-
Unreserved	39,063	-34,522	4,541
Total fund balance	<u>39,063</u>	<u>-34,522</u>	<u>4,541</u>
Total liabilities and fund balance	<u>\$ 57,572</u>	<u>\$ 841</u>	<u>\$ 58,413</u>
Revenues			
Property tax revenue, interest, liens	\$ 5,365	\$ -	\$ 5,365
Intergovernmental - other	-	29,254	29,254
Interest and dividends	-	-	-
Charges for services	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>5,365</u>	<u>29,254</u>	<u>34,619</u>
Expenditures			
Salary and wages	-	-	-
Program operating costs	-	-	-
Capital outlay	-	14,815	14,815
Miscellaneous	-	-	-
Total expenditures	<u>-</u>	<u>14,815</u>	<u>14,815</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,365</u>	<u>14,439</u>	<u>19,804</u>
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	5,365	14,439	19,804
Fund balance - July 1	<u>33,698</u>	<u>-48,961</u>	<u>-15,263</u>
Fund balance - June 30	<u>\$ 39,063</u>	<u>\$ -34,522</u>	<u>\$ 4,541</u>

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major permanent funds
As of and for the year ended June 30, 2010

	Cummings scholarship	George Lyman scholarship	Cemetery perpetual care	Helen Rodgers scholarship	Waterman Wilson library fund	Flora Williams library fund
Assets						
Cash	\$ 208,706	\$ 46,829	\$ 11,639	\$ 10,742	\$ 9,213	\$ 7,676
Investments	-	-	-	-	-	-
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	208,706	46,829	11,639	10,742	9,213	7,676
Liabilities						
Accounts payable	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	12,848	4,124	1,098	818	853	676
Total liabilities	12,848	4,124	1,098	818	853	676
Fund balance						
Reserved	197,045	42,705	10,541	10,000	8,360	7,000
Unreserved	-1,187	-	-	-76	-	-
Total fund balance	195,858	42,705	10,541	9,924	8,360	7,000
Total liabilities and fund balance	\$ 208,706	\$ 46,829	\$ 11,639	\$ 10,742	\$ 9,213	\$ 7,676
Revenues						
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	-	-	-	-	-	-
Interest and dividends	4,092	918	334	210	258	151
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	4,092	918	334	210	258	151
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	-	-	-	-	-	-
Miscellaneous	2,239	-	-	93	-	-
Total expenditures	2,239	-	-	93	-	-
Excess (deficiency) of revenues over (under) expenditures	1,853	918	334	117	258	151
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-3,040	-918	-334	-193	-258	-151
Total other financing sources (uses)	-3,040	-918	-334	-193	-258	-151
Net change in fund balance	-1,187	-	-	-76	-	-
Fund balance - July 1	197,045	42,705	10,541	10,000	8,360	7,000
Fund balance - June 30	\$ 195,858	\$ 42,705	\$ 10,541	\$ 9,924	\$ 8,360	\$ 7,000

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major permanent funds
As of and for the year ended June 30, 2010

	Town deposit scholarship	Lebanon school prizes	Royal O. Woodard scholarship	Dorothy Hinckley scholarship	Elizabeth Grant school	EL Reichard nursing scholarship
Assets						
Cash	\$ 6,566	\$ 6,865	\$ 6,490	\$ 5,998	\$ 4,603	\$ 3,222
Investments	-	-	-	-	-	-
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	6,566	6,865	6,490	5,998	4,603	3,222
Liabilities						
Accounts payable	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	4	512	485	-	350	245
Total liabilities	4	512	485	-	350	245
Fund balance						
Reserved	6,562	6,400	6,050	5,000	4,285	3,000
Unreserved	-	-47	-45	998	-32	-23
Total fund balance	6,562	6,353	6,005	5,998	4,253	2,977
Total liabilities and fund balance	\$ 6,566	\$ 6,865	\$ 6,490	\$ 5,998	\$ 4,603	\$ 3,222
Revenues						
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	-	-	-	-	-	-
Interest and dividends	4	135	127	48	91	63
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	4	135	127	48	91	63
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	-	-	-	-	-	-
Miscellaneous	-	61	57	-	40	28
Total expenditures	-	61	57	-	40	28
Excess (deficiency) of revenues over (under) expenditures	4	74	70	48	51	35
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-4	-121	-115	-	-83	-58
Total other financing sources (uses)	-4	-121	-115	-	-83	-58
Net change in fund balance		-47	-45	48	-32	-23
Fund balance - July 1	6,562	6,400	6,050	5,950	4,285	3,000
Fund balance - June 30	\$ 6,562	\$ 6,353	\$ 6,005	\$ 5,998	\$ 4,253	\$ 2,977

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major permanent funds
As of and for the year ended June 30, 2010

	Flora Williams school	Local school	Vernon Boothby library	William Taylor cemetery	Oliver & Lucille Manning	Totals
Assets						
Cash	\$ 2,145	\$ 1,937	\$ 1,000	\$ 1,097	\$ -	\$ 334,728
Investments	-	-	-	-	7,043	7,043
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	<u>2,145</u>	<u>1,937</u>	<u>1,000</u>	<u>1,097</u>	<u>7,043</u>	<u>341,771</u>
Liabilities						
Accounts payable	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	160	-	-	97	-	22,270
Total liabilities	<u>160</u>	<u>-</u>	<u>-</u>	<u>97</u>	<u>-</u>	<u>22,270</u>
Fund balance						
Reserved	2,000	1,937	1,000	1,000	7,043	319,928
Unreserved	-15	-	-	-	-	-427
Total fund balance	<u>1,985</u>	<u>1,937</u>	<u>1,000</u>	<u>1,000</u>	<u>7,043</u>	<u>319,501</u>
Total liabilities and fund balance	<u>\$ 2,145</u>	<u>\$ 1,937</u>	<u>\$ 1,000</u>	<u>\$ 1,097</u>	<u>\$ 7,043</u>	<u>\$ 341,771</u>
Revenues						
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	-	-	-	-	-	-
Interest and dividends	42	2	1	21	-	6,497
Charges for services	-	-	-	-	-	-
Net change in investment fair value	-	-	-	-	1,054	1,054
Total revenues	<u>42</u>	<u>2</u>	<u>1</u>	<u>21</u>	<u>1,054</u>	<u>7,551</u>
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	-	-	-	-	-	-
Miscellaneous	19	-	-	-	-	2,537
Total expenditures	<u>19</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,537</u>
Excess (deficiency) of revenues over (under) expenditures	<u>23</u>	<u>2</u>	<u>1</u>	<u>21</u>	<u>1,054</u>	<u>5,014</u>
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-38	-2	-1	-21	-	-5,337
Total other financing sources (uses)	<u>-38</u>	<u>-2</u>	<u>-1</u>	<u>-21</u>	<u>-</u>	<u>-5,337</u>
Net change in fund balance	-15	-	-	-	1,054	-323
Fund balance - July 1	<u>2,000</u>	<u>1,937</u>	<u>1,000</u>	<u>1,000</u>	<u>5,989</u>	<u>319,824</u>
Fund balance - June 30	<u>\$ 1,985</u>	<u>\$ 1,937</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 7,043</u>	<u>\$ 319,501</u>

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Town construction projects
As of and for the year ended June 30, 2010

	LES building project	LMS building project	Fire safety complex	Senior center complex	Totals
Assets					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Accounts receivable (net)					
Intergovernmental	-	-	-	-	-
Other	-	-	-	-	-
Due from other funds	-	-	11,641	-	11,641
Total assets	-	-	11,641	-	11,641
Liabilities					
Accounts payable	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Due to other funds	579,906	186,346	-	1,894	768,146
Total liabilities	579,906	186,346	-	1,894	768,146
Fund balance					
Reserved	-	-	-	-	-
Unreserved	-579,906	-186,346	11,641	-1,894	-756,505
Total fund balance	-579,906	-186,346	11,641	-1,894	-756,505
Total liabilities and fund balance	\$ -	\$ -	\$ 11,641	\$ -	\$ 11,641
Revenues					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and dividends	-	-	-	-	-
Net change in investment fair value	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	-	-	-	-	-
Expenditures					
Salary and wages	-	-	-	-	-
Program operating costs	-	-	-	-	-
Capital outlay	-	-	-	19,038	19,038
Miscellaneous	-	-	-	-	-
Total expenditures	-	-	-	19,038	19,038
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-19,038	-19,038
Other financing sources (uses)					
Transfers in	73,500	73,500	-	13,037	160,037
Transfers out	-	-	-	-	-
Total other financing sources (uses)	73,500	73,500	-	13,037	160,037
Net change in fund balance	73,500	73,500	-	-6,001	140,999
Fund balance - July 1	-653,406	-259,846	11,641	4,107	-897,504
Fund balance - June 30	\$ -579,906	\$ -186,346	\$ 11,641	\$ -1,894	\$ -756,505

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Trumbull Investments fund
As of and for the year ended June 30, 2010

	Jonathan Trumbull Jr. library fund	Adams community center fund	Jonathan Trumbull Jr. house fund	Totals
Assets				
Cash	\$ -	\$ -	\$ -	\$ -
Investments	697,139	439,964	306,492	1,443,595
Accounts receivable (net)				
Intergovernmental	-	-	-	-
Other	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>697,139</u>	<u>439,964</u>	<u>306,492</u>	<u>1,443,595</u>
Liabilities				
Accounts payable	-	-	-	-
Deferred revenue	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance				
Reserved	697,139	439,964	306,492	1,443,595
Unreserved	-	-	-	-
Total fund balance	<u>697,139</u>	<u>439,964</u>	<u>306,492</u>	<u>1,443,595</u>
Total liabilities and fund balance	<u>\$ 697,139</u>	<u>\$ 439,964</u>	<u>\$ 306,492</u>	<u>\$ 1,443,595</u>
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Interest and dividends	21,766	17,499	10,509	49,774
Net change in investment fair value	68,585	12,257	7,453	88,295
Miscellaneous	-	-	-	-
Total revenues	<u>90,351</u>	<u>29,756</u>	<u>17,962</u>	<u>138,069</u>
Expenditures				
Salary and wages	-	-	-	-
Program operating costs	-	-	-	-
Capital outlay	-	-	-	-
Miscellaneous	65	65	130	260
Total expenditures	<u>65</u>	<u>65</u>	<u>130</u>	<u>260</u>
Excess (deficiency) of revenues over (under) expenditures	<u>90,286</u>	<u>29,691</u>	<u>17,832</u>	<u>137,809</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-21,702	-17,499	-9,120	-48,321
Total other financing sources (uses)	<u>-21,702</u>	<u>-17,499</u>	<u>-9,120</u>	<u>-48,321</u>
Net change in fund balance	68,584	12,192	8,712	89,488
Fund balance - July 1	<u>628,555</u>	<u>427,772</u>	<u>297,780</u>	<u>1,354,107</u>
Fund balance - June 30	<u>\$ 697,139</u>	<u>\$ 439,964</u>	<u>\$ 306,492</u>	<u>\$ 1,443,595</u>

Town of Lebanon, Connecticut
Schedule of debt limitation
Connecticut General Statutes, Section 7-374 (b)
For the year ended June 30, 2010

Total tax collections (including interest and lien fees) for the current fiscal year.	\$ 14,089,190
Total tax collections (including interest and lien fees) of city, borough and all other taxing districts within the Town for the current fiscal year.	5,365
Reimbursement for revenue loss on: Tax relief for the elderly - (CGS 12-129d)	<u>29,801</u>
Total base	<u><u>\$ 14,124,356</u></u>

Debt limitation:	General purposes	Schools	Sewers	Urban renewal	Pension deficit
2 1/4 times base	\$ 31,779,801	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	63,559,602	-	-	-
3 3/4 times base	-	-	52,966,335	-	-
3 1/4 times base	-	-	-	45,904,157	-
3 times base	-	-	-	-	42,373,068
Total debt limitation	<u>31,779,801</u>	<u>63,559,602</u>	<u>52,966,335</u>	<u>45,904,157</u>	<u>42,373,068</u>
Indebtedness:					
Bonds payable	1,253,225	3,849,600	-	-	-
Bonds authorized and unissued	-	9,880,000	-	-	-
Notes payable	-	-	-	-	-
Capital leases payable	-	-	-	-	-
Accrued compensated absences:					
School employees	-	77,619	-	-	-
Town employees	30,312	-	-	-	-
Accrued post closure landfill costs	<u>112,131</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total indebtedness	<u>1,395,668</u>	<u>13,807,219</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u><u>\$ 30,384,133</u></u>	<u><u>\$ 49,752,383</u></u>	<u><u>\$ 52,966,335</u></u>	<u><u>\$ 45,904,157</u></u>	<u><u>\$ 42,373,068</u></u>

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation. The maximum amount permitted under this formula would be \$98,870,492 which is well above the \$15,202,887 current amount of outstanding and authorized and unissued debt of the Town.

Town of Lebanon, Connecticut
Schedule of property taxes levied,
collections, and outstanding balances
For the year ended June 30, 2010

Grand list	Uncollected taxes 06/30/09	Current year taxes levied	Lawful corrections		Net taxes collectable
			Additions	Deductions	
2008	\$ -	\$ 13,909,671	\$ 13,573	\$ -38,403	\$ 13,884,841
2007	316,455	-	6,096	-3,520	319,031
2006	115,912	-	237	-1,166	114,983
2005	31,124	-	-	-	31,124
2004	13,778	-	-	-	13,778
2003	10,019	-	-	-	10,019
2002	5,207	-	-	-	5,207
2001	4,894	-	-	-	4,894
2000	4,726	-	-	-	4,726
1999	3,191	-	-	-	3,191
1998	1,802	-	-	-	1,802
1997	71	-	-	-	71
1996	75	-	-	-	75
1995	-	-	-	-	-
1994	-	-	-	-	-
	<u>\$ 507,254</u>	<u>\$ 13,909,671</u>	<u>\$ 19,906</u>	<u>\$ -43,089</u>	<u>\$ 14,393,742</u>

Town of Lebanon, Connecticut
Schedule of property taxes levied,
collections, and outstanding balances
For the year ended June 30, 2010

Grand list	Collections during the fiscal year			Total	Adjustments	Uncollected taxes 06/30/10
	Taxes	Interest	Lien fees			
2008	\$ 13,535,667	\$ 60,174	\$ 22,017	\$ 13,617,858	\$ -	\$ 349,174
2007	211,289	46,678	3,582	261,549	-	107,742
2006	63,920	23,257	7,129	94,306	-25,514	25,549
2005	23,243	11,051	688	34,982	-	7,881
2004	10,654	8,080	230	18,964	-	3,124
2003	9,331	6,969	192	16,492	-	688
2002	4,958	5,689	48	10,695	-	249
2001	4,740	6,293	48	11,081	-	154
2000	4,578	5,624	48	10,250	-	148
1999	3,149	5,423	24	8,596	-	42
1998	1,731	3,169	24	4,924	-	71
1997	-	-	-	-	-	71
1996	-	-	-	-	-	75
1995	-	-	-	-	-	-
1994	-	-	-	-	-	-
	<u>\$ 13,873,260</u>	<u>\$ 182,407</u>	<u>\$ 34,030</u>	<u>\$ 14,089,697</u>	<u>\$ -25,514</u>	<u>\$ 494,968</u>

- A - This schedule is in effect designed to be shown on the cash basis of accounting whereas it shows the amount being received against tax years as revenues when in effect they represent a reduction in the outstanding asset account for each tax year outstanding. As a result, the total collections balance shown above will not tie out to the property taxes, interest, and liens revenue balance on Statement D, Statement E, or Sub-Schedule C. However, the following is a reconciliation of selected balances from this schedule to the amount shown on Statement D, Statement E, and Sub-Schedule C.

\$ 13,909,671	Current year taxes levied from page 58
182,407	Tax interest collections during the current fiscal year from above
4,323	Suspense interest collections during the current fiscal year
34,030	Tax lien fee collections during the current fiscal year from above
4,906	Suspense principle balance collections during the current fiscal year
-25,514	Account balances transferred to suspense during the current fiscal year from above
-23,183	The net lawful corrections made during the current fiscal year from page 58
2,550	The deferred tax revenue adjustment made as described in item number 2 on page 15
<u>\$ 14,089,190</u>	Property taxes, interest, and liens per Statement D, Statement E, and Sub-Schedule C

- B - Operation of Law - No tax can be collected 15 years after the original due date.

- C - Taxes transferred (to) and from suspense. Though tax balances are transferred from active status to suspense status they remain collectible. During the current fiscal year \$4,906 was collected on principle suspense tax balances owed and \$4,323 of interest was collected on principle suspense tax balances owed. Certificates of correction were completed for taxes which had already been transferred to suspense during the current fiscal year in the amount of a \$105 decrease. Two suspense tax years were affected by these corrections.

Town of Lebanon, Connecticut
Schedule of expenditures of federal awards
For the year ended June 30, 2010

Federal grantor Pass-through grantor Program title	Federal CFDA number	Pass-through grantor number	Federal expenditures
U.S. Department of Agriculture			
Passed through the State of Connecticut - Department of Education			
Child nutrition cluster:			
School breakfast program	10.553	12060-SDE64370-20508-2009 12060-SDE64370-20508-2010	\$ 5,424 11,488
School lunch program	10.555	12060-SDE64370-20560-2009 12060-SDE64370-20560-2010	27,478 63,616
School milk program	10.556	12060-SDE64370-20500-2009 12060-SDE64370-20500-2010	513 1,167
			<u>109,686</u>
Passed through the State of Connecticut - Department of Environmental Protection			
Urban and community forestry program	10.675	12060-DEP44165-22052-2010	<u>4,800</u>
Total U.S. Department of Agriculture			<u>114,486</u>
U.S. Department of Housing and Urban Development			
Passed through the State of Connecticut - Department of Economic and Community Development			
Small cities program - Housing rehabilitation loan program	14.228	12060-ECD46350-20730-2010	<u>284,446</u>
U.S. Department of Justice			
Passed through the State of Connecticut - Office of Policy and Management			
Recovery act - Justice assistance grant	16.803	12060-OPM20350-29002-2009	<u>6,746</u>
U.S. Department of Transportation			
Highway Planning and Construction Cluster:			
Passed through the State of Connecticut - Department of Transportation			
Highway planning and construction	20.205	12062-DOT57191-22108-2010	33,274
Passed through the State of Connecticut - Department of Environmental Protection			
Recreational trails program	20.219	12060-DEP44321-20296-2010	43,990
			<u>77,264</u>

Town of Lebanon, Connecticut
Schedule of expenditures of federal awards (continued)
For the year ended June 30, 2010

Federal grantor Pass-through grantor Program title	Federal CFDA number	Pass-through grantor number	Federal expenditures
U.S. Department of Education			
Passed through the State of Connecticut - Department of Education			
Title I Part A Cluster:			
Title I - Improving basic programs	84.010A	12060-SDE64370-20679-2010 12060-SDE64370-20679-2008	\$ 52,583 600 <u>53,183</u>
Title II Part A - Improving teacher quality	84.367A	12060-SDE64370-20858-2009 12060-SDE64370-20858-2010	7,779 15,746 <u>23,525</u>
Educational Technology State Grants Cluster:			
Title II Part D - Education technology grants	84.318A	12060-SDE64370-20826-2009	<u>262</u>
Title IV - Safe and drug free schools	84.186A	1260-SDE64370-20873-2009	<u>1,764</u>
Special Education Cluster			
Idea Part B - Section 611 Disabilities	84.027A	12060-SDE64370-20977-2009 12060-SDE64370-20977-2010	37,002 223,357
Idea Part B - Section 619 Pre-school grants	84.173A	12060-SDE64370-20983-2009 12060-SDE64370-20983-2010	8,640 10,216
Idea part B - Section 611 Recovery act	84.391A	12060-SDE64370-29011-2009	63,368
Idea part B - Section 619 Recovery act	84.392A	12060-SDE64370-29012-2009	5,264 <u>347,847</u>
State Fiscal Stabilization Fund Cluster:			
Education State Grants - Recovery act	84.394	12060-SDE64370-29054-2009	502,812
Government Services - Recovery act	84.397	12060-SDE64370-29053-2009	277,228 <u>780,040</u>
Total U.S. Department of Education			<u>1,206,621</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,689,563</u></u>

Town of Lebanon, Connecticut
Notes to Schedule of expenditures of federal awards
June 30, 2010

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant and contract activity of the Town of Lebanon, Connecticut and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The expenditure amounts shown on the accompanying schedule include reimbursable expenditures which have been incurred by the Town and therefore included as expenditures but which have not yet been reimbursed and are considered and may be recorded as accounts receivable. In accordance with OMB Circular A-133 section §____.205 (a), the determination of when an award is expended should be based on when the activity related to the award occurs.

Stephen T. Hopkins, CPA, PC

Auditing , Accounting , and Consulting Services

214 Holmes Road / Scarborough, Maine 04074 / Phone: (207) 885 - 5038 / Fax: (207) 470 - 5050

Independent Auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*

Board of Finance
Board of Selectmen
Town of Lebanon, Connecticut

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Lebanon, Connecticut, as of and for the year ended June 30, 2010, which collectively comprise the Town of Lebanon, Connecticut's basic financial statements and have issued our report thereon dated November 5, 2010. A qualified opinion was issued on the financial statements of the Town of Lebanon, Connecticut as it relates to the general fund and its recording of teachers summer salaries and fiscal year ending payrolls. This qualification is described in more detail in the Independent Auditors' Report which can be found on pages 1 and 2 of the financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal control over financial reporting

In planning and performing our audit, we considered the Town of Lebanon, Connecticut's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Lebanon, Connecticut's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Lebanon, Connecticut's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. These significant deficiencies are described in the accompanying schedule of findings and questioned costs as item numbers 10-01 through 10-03. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and other matters

As part of obtaining reasonable assurance about whether the Town of Lebanon, Connecticut's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no reportable instances of noncompliance or other matters required to be reported under *Government Auditing Standards*.

The Town of Lebanon, Connecticut's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Lebanon, Connecticut's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Finance, Board of Selectmen, Board of Education, and other members of management of the Town of Lebanon, Connecticut, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stephen T. Hopkins, CPA, PC

Stephen T. Hopkins, CPA, PC

November 5, 2010

Stephen T. Hopkins, CPA, PC

Auditing , Accounting , and Consulting Services

214 Holmes Road / Scarborough, Maine 04074 / Phone: (207) 885 - 5038 / Fax: (207) 470 - 5050

Independent Auditors' report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133

Board of Finance
Board of Selectmen
Town of Lebanon, Connecticut

Compliance

We have audited the Town of Lebanon, Connecticut's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on the Town of Lebanon, Connecticut's major federal programs for the year ended June 30, 2010. The Town of Lebanon, Connecticut's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Lebanon, Connecticut's Management. Our responsibility is to express an opinion on the Town of Lebanon, Connecticut's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Lebanon, Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Lebanon, Connecticut's compliance with those requirements.

In our opinion, the Town of Lebanon, Connecticut, complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the Town of Lebanon, Connecticut is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Lebanon, Connecticut's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Lebanon, Connecticut's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purposed described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Finance, Board of Selectmen, Board of Education, and other members of management of the Town of Lebanon, Connecticut, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stephen T. Hopkins, CPA, PC

Stephen T. Hopkins, CPA, PC

November 5, 2010

Town of Lebanon, Connecticut
Schedule of findings and questioned costs
June 30, 2010

Summary of Audit Results

The following is a summary of the results of the audit of the basic financial statements of the Town of Lebanon, Connecticut as of and for the year ended June 30, 2010 as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* §____.505(d)(1).

- (i) A qualified opinion was issued on the general fund opinion unit within the basic financial statements of the auditee as described in the Independent Auditors' Report found on page 1 and 2. All other opinion units within the basic financial statements received unqualified opinions.
- (ii) There were three significant deficiencies in internal control disclosed by the audit of the basic financial statements of the auditee. These significant deficiencies are referenced in the accompanying schedule of findings and questioned costs as item numbers 10-01 through 10-03. None of these significant deficiencies were considered to be material weaknesses.
- (iii) The audit did not disclose any instances of noncompliance which we believe could be material to the basic financial statements of the auditee.
- (iv) There were no significant deficiencies in internal control over compliance for major programs disclosed.
- (v) An unqualified opinion was issued on compliance for major programs of the auditee.
- (vi) The following programs (CFDA numbers) were considered major for auditing purposes. Major programs for testing purposes were determined in accordance with §____.520 (e) (1) and (2) (B). Under these sections, All type A programs must be tested except those identified as low-risk under section (c)(1). The Town had one high risk Type A program which was tested and one low risk Type A program which was not tested. As a result, one high risk Type B program was chosen for testing. The following programs were tested in order to meet the required percentage of coverage.

Housing rehabilitation loan program	CFDA # 14.228	\$ 284,446	Type B program
State Fiscal Stabilization Funds Cluster	CFDA # 84.394 & 84.397	<u>780,040</u>	Type A program
		<u>\$1,064,486</u>	

- (vii) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (viii) The auditee did not qualify as a low-risk auditee under §____.530. In accordance with section §____.520 (f) federal programs must be tested that in the aggregate encompass at least 50% of the total federal awards expended by the Town. Total federal awards expended by the Town were \$1,689,563. The programs and expenditures noted above in item (vii) represent 63.00% of the total federal awards expended.

Findings Related to Financial Statements

There were three findings relating to the basic financial statements which are required to be reported in accordance with GAGAS and §____.505(d)(2). These three findings are related to internal control over financial reporting and are referenced in the accompanying schedule of findings and questioned costs as item numbers 10-01 through 10-03.

Findings, Questioned Costs, and Responses for Federal Awards

There were no findings and questioned costs for Federal Awards which shall include audit findings as defined in §____.510(a) which are required to be reported in accordance with §____.505(d)(3).

Summary Schedule of Prior Audit Findings

There were no findings and questioned costs related to federal award programs reported in the audit report for the Town of Lebanon, Connecticut for the year ended June 30, 2009. Therefore, no schedule has been included.

Town of Lebanon, Connecticut
Schedule of findings and questioned costs
June 30, 2010

10-01 - Accounting policies and procedures manual

Criteria:

The management of the Town is responsible for implementing and maintaining a system of internal controls for which the design of the system would allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Condition:

The Town does not currently have an accurate and in-depth accounting policies and procedures manual which would document the system of internal controls necessary to allow the prevention or detections of misstatements on a timely basis. Without a documented system of internal control related policies and procedures it cannot be determined that the procedures being followed during the day to day accounting activities are adequate to prevent or detect misstatements on a timely basis. We do consider this condition to represent a significant deficiency in internal control over financial reporting.

Context:

This type of manual is used to provide a general description of the general functions and specific duties of all personnel involved in the accounting, cash receipting, and bill paying system of the Town. The manual is also used to document the specific steps to be used in all accounting functions such as the processing of cash disbursements, the recording and deposit of cash receipts and the steps necessary to process payroll.

Effect:

The two main goals of developing and documenting an effective set of accounting policies and procedures is to provide reasonable assurance that the Town's specific objectives will be achieved and to set up a system of checks and balances which safeguard the assets of the Town. Without this set of policies and procedures there can be no reasonable assurance present that the Town's specific objective are being achieved or that its' assets are being safeguarded.

Cause:

The reason for this condition would appear to be in part the lack of a consistent individual in the position of town accountant over the past several years which appears to have made it difficult for certain accounting and reporting requirements to be consistently implemented and followed. In addition, the lack of a consistent individual in this position has resulted in no real time being available to work on the creation of such a manual.

Recommendation:

The Board of Finance should be involved with the development of a written policies and procedures manual that addresses the financial operations of the Town and specific duties of all personnel involved in the accounting, cash receipting, and bill paying system of the Town. This manual, drafted by the accounting department, should address the general accounting functions of the department and the overall financial policies of the Town as well as any other specific area (s) as so requested by the Board of Finance or other members of management of the Town. The final draft should be presented to the Board of Finance for approval. The accounting department would be responsible for implementing the specific policies and procedures. Any questions or disputes in regard to the implementation and operation of these policies and procedures should be presented to the Board of Finance for resolution. In addition, any subsequent amendments, revisions, or additions to this manual should be presented to the Board of Finance for approval.

Views of responsible officials and planned corrective actions:

This finding has been discussed with management and they appear to understand the importance of such a set of policies and procedures. The Town is currently contracting with two individuals to developing an accounting policies and procedures manual which will not only address the accounting function and specific policies and procedures thereon, but which will as a result document the Town's system of internal controls over financial reporting. Once an adequate policy and procedure has been developed and is being followed, management believes that this significant deficiency will be eliminated.

Town of Lebanon, Connecticut
Schedule of findings and questioned costs
June 30, 2010

10-02 - Capital assets and inventory record keeping

Criteria:

The Town is required to report capital assets as accurately as possible on its financial statements in accordance with generally accepted accounting principles. As such, annual capital asset additions, deletions and capital asset balances would be reported in the financial statements and disclosed in the notes to the financial statements.

Condition:

The Town does not keep a detailed listing of its' capital assets or other inventory items which may fall below the capitalization threshold of the Town but which may be useful to keep track of for future planning and capital improvement purposes. As such, accurate dollar amounts for annual capital asset additions, deletions and capital asset balances would not be known to the Town during the fiscal year and most likely not until the completion of the annual audit. We do consider this condition to represent a significant deficiency in internal control over financial reporting.

Context:

The Town has established a capital assets capitalization policy that states it will capitalize all expenses for property, plant, and equipment in excess of \$5,000. During the current fiscal year the only items capitalized consisted of town construction projects expenditures and other items noted during the audit. A complete listing of new capital assets was not presented to be capitalized and no capital assets were presented as being disposed of. At this time, the only way to record current year additions would be to scan the cash disbursements journal for items in excess of this amount and then select the invoices to determine whether they meet the definition of a capital asset and in turn whether or not they should be capitalized. In addition, the aforementioned process is in many cases unable to determine whether any items have or have not been disposed of during the current fiscal year. This procedure does however fall outside the scope of the current audit. In regard to other inventory items not meeting the \$5,000 capitalization threshold, the Town should have some system in place to keep track of certain items that may need to be replaced at some future point in time.

Effect:

Without these steps being taken and detailed listings being kept it is difficult for the Town to have an accurate financial picture in relation to their current capital assets and inventory and their potential future needs. As a result, there can be no reasonable assurance present that the Town's specific objectives are being achieved both in the short term and in the long term or that its' assets are being safeguarded.

Cause:

The reason for this condition would appear to be in part the lack of a consistent individual in the position of town accountant over the past several years which appears to have made it difficult for certain accounting and reporting requirements to be consistently implemented and followed. In addition, the Town does not have an accounting policies and procedures manual outlining specific procedures to be followed in order to accurately track and record capital asset additions, deletions and balances.

Recommendation:

We recommend that the Town implement some type of system to track and record the additions and deletions of capital assets when they are purchased and when they are disposed of. This system should consist of an initial recognition of items being purchased fitting the definition of a capital asset and periodic inventory of capital assets to ensure that any items being disposed of have been recorded as such.

Views of responsible officials and planned corrective actions:

This finding has been discussed with management and they appear to understand the importance of such a system, however, such a system has yet to be implemented. The Town is currently developing an accounting policies and procedures manual and intends to cover the recording and tracking of capital assets and other inventory items within the manual. Once an adequate policy and procedure has been developed and is being followed, management believes that this significant deficiency will be eliminated.

Town of Lebanon, Connecticut
Schedule of findings and questioned costs
June 30, 2010

10-03 - Account reconciliations

Criteria:

The management of the Town is responsible for implementing and maintaining a system of internal controls for which the design of the system would allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Condition:

For the current fiscal year there did not appear to be an adequate system in place to ensure that all of the asset and liability accounts on the trial balance of the Town were reconciled. In addition, expenditures related to the Board of Education are recorded by specific line item by the Board of Education and as a lump sum amount by the Town after each expenditure check run. These entries are made on two different accounting systems. The finance office of the Town and the Board of Education did not reconcile their respective balances during the fiscal year and in turn could not explain the material differences present at the end of the fiscal year. We do consider this condition to represent a significant deficiency in internal control over financial reporting.

Context:

A number balance sheet accounts as well as the Board of Education expenditures went unreconciled during the fiscal year and in many instances required a great deal of research and adjusting journal entries to correct the current year activity and in turn the ending recorded balances. Reconciliations were prepared for a number of balance sheet accounts during the fiscal year and attempts appear to have been made on other accounts during the fiscal year and after the end of the fiscal year which would not be classified as being prepared in a timely manner. For Board of Education expenditures, the lack of a set reconciliation process does not allow for any material differences to be detected in a timely manner. Since the amount being recorded on both sides should be the same, no differences should exist. This annual variance could result in an adjustment being made to the Board of Education's Form ED001 so that the reported expenditures equal those recorded on the books of the Town.

Effect:

Without account reconciliations being prepared for all balance sheet accounts as well as the Board of Education expenditure accounts during the fiscal year and within a timely manner, it is difficult to have an accurate financial picture of the Town during the fiscal year. Without an accurate financial picture there can be no reasonable assurance present that the Town's specific objectives are being achieved or that its' assets are being safeguarded.

Cause:

This reason for this condition would appear to be in part the lack of a consistent individual in the position of town accountant over the past several years which appears to have made it difficult for certain accounting, reporting and reconciling requirements to be consistently implemented and followed. In addition, the Town does not have an accounting policies and procedures manual outlining specific procedures to be followed in order to accurately complete reconciliation of all balance sheet accounts as well as the Board of Education expenditures account.

Recommendation:

We recommend that the Town develop a set of adequate internal controls to ensure that all material asset, liability, revenue, and expenditure accounts are reconciled on at least a quarterly basis if not a monthly basis. We also recommend that the Town Accountant, members of the Board of Education, and other necessary parties meet on an individual basis and discuss the need for this account reconciliation process to be in place. Individual departments are pieces of the reporting entity as a whole and therefore need to have the same or similar focus on the results of the operations of the Town as a whole and understand the need for having a reasonable assurance present that the Town's specific objectives are being achieved and that its' assets are being safeguarded.

Views of responsible officials and planned corrective actions:

This finding has been discussed with management and they appear to understand its importance, however, such a system has yet to be implemented. The Town is currently developing an accounting policies and procedures manual and intends to cover the reconciling of all material asset, liability, revenue and expenditure accounts in a timely manner. Once an adequate policy and procedure has been developed and is being followed, management believes that this significant deficiency will be eliminated.

Stephen T. Hopkins, CPA, PC

Auditing, Accounting, and Consulting Services

214 Holmes Road / Scarborough, Maine 04074 / Phone: (207) 885 - 5038 / Fax: (207) 470 - 5050

Report on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with the State Single Audit Act

Board of Finance
Board of Selectmen
Town of Lebanon, Connecticut

Compliance

We have audited the Town of Lebanon, Connecticut's compliance with the types of compliance requirements described in the *Office of Policy and Management Compliance Supplement* that could have a direct and material effect on each of the Town of Lebanon, Connecticut's major state programs for the year ended June 30, 2010. The major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Town of Lebanon, Connecticut's management. Our responsibility is to express an opinion on the Town of Lebanon, Connecticut's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Lebanon, Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Lebanon, Connecticut's compliance with those requirements.

In our opinion, the Town of Lebanon, Connecticut complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the Town of Lebanon, Connecticut is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the Town of Lebanon, Connecticut's internal control over compliance with the requirements that could have a direct and material effect on a major state program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Lebanon, Connecticut's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of State Financial Assistance

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Lebanon, Connecticut, as of and for the year ended June 30, 2010, and have issued our report thereon dated November 5, 2010. A qualified opinion was issued on the financial statements of the Town of Lebanon, Connecticut as it relates to the general fund and its recording of teachers summer salaries and fiscal year ending payrolls on the cash basis of accounting. This qualification is described in more detail in the Independent Auditors' Report which can be found on pages 1 and 2 of the financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lebanon, Connecticut's basic financial statements taken as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit to the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Finance, Board of Selectmen, Board of Education, and other members of management of the Town of Lebanon, Connecticut, the Office of Policy and Management, and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stephen T. Hopkins, CPA, PC

Stephen T. Hopkins, CPA, PC

November 5, 2010

Town of Lebanon, Connecticut
Schedule of expenditures of state financial assistance
For the year ended June 30, 2010

State grantor/pass through Grantor/program title	State grant program Core-CT number	Expenditures
<u>Office of Policy and Management:</u>		
Disabled program	11000-OPM20600-17011-2010	\$ 660
Property tax relief for elderly and totally disabled homeowners	11000-OPM20600-17018-2010	29,801
Property tax relief for veterans	11000-OPM20600-17024-2010	2,812
Property tax relief for manufacturing machinery and equipment and commercial vehicles	11000-OPM20600-17031-2010	10,299
Local capital improvement program	12050-OPM20600-40254-2010	150,000
Municipal video competition	12060-OPM20600-35362-2009	224
<u>Department of Education:</u>		
Healthy food certification	11000-SDE64370-16072-2010	10,859
Child nutrition program state match	11000-SDE64370-16072-2010	4,991
Vocational Agriculture	11000-SDE64370-17017-2010	154,431
Adult education	11000-SDE64370-17030-2010	7,902
School readiness	11000-SDE64370-12113-2010	107,000
<u>Connecticut State Library:</u>		
State Grants to Public Libraries	11000-CSL66051-17003-2010	1,466
Connecticard Payments	11000-CSL66051-17010-2010	928
<u>Department of Transportation:</u>		
Town aid road grants	13033-DOT57131-43459-2010	115,935
Town aid road grants	12052-DOT57131-43455-2010	28,469
TSB projects account	12062-DOT57931-35304-2010	31,774
Local bridge replacement fund	21010-DOT57191-42311-2010	120,275
State bridges and railroads	13033-DOT57124-41395-2010	30
<u>Office of State Comptroller:</u>		
Payment in lieu of taxes (PILOT) on state owned property	11000-OSC15910-17004-2010	36,053
<u>Department of Environmental Protection:</u>		
Boat grant	12060-DEP44434-35403-2010	1,284
Clean air act account	12060-DEP43540-35209-2010	10
<u>Department of Social Services:</u>		
Small town economic assistance program	12052-DSS60783-40533-2008	25,000
Other expenses	11000-DSS60760-10020-2010	10

Town of Lebanon, Connecticut
Schedule of expenditures of state financial assistance (continued)
For the year ended June 30, 2010

State grantor/pass through Grantor/program title	State grant program Core-CT number	Expenditures
<u>Department of Agriculture:</u>		
Agriculture viability grant	12060-DAG42710-90456-2008	\$ 23,500
Agriculture viability grant	12060-DAG42710-90456-2009	9,500
Farmland preservation	12060-DAG42720-90460-2008	10
<u>Department of Economic and Community Development:</u>		
Small town economic assistance program	12052-ECD46350-42411-2010	195,248
<u>Other Departments and miscellaneous awards:</u>		
Non-budgeted operating appropriations	34001-JUD95162-40001-2010	3,740
Other expenses	11000-DRS16324-10020-2010	37
Total State Financial Assistance before exempt programs		<u>\$ 1,072,248</u>

Exempt Programs

<u>State Department of Education:</u>		
School construction progress payments		
Principal	13010-SDE64370-40901-2010	\$ 392,953
Interest	13009-SDE64370-40896-2010	29,033
Transportation for school children	11000-SDE64370-17027-2010	174,871
Education equalization grants	11000-SDE64370-17041-2010	4,636,685
Special Education excess costs	11000-SDE64370-17047-2010	501,892
Mashantucket Pequot Grant	12010-OSC15910-17005-2010	30,561
Total Exempt Programs		<u>5,765,995</u>
Total Expenditures of State Financial Assistance		<u>\$ 6,838,243</u>

Town of Lebanon, Connecticut
Notes to Schedule of expenditures of state financial assistance
For the year ended June 30, 2010

Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of Lebanon, Connecticut through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including but not limited to education, transportation, tax relief, and library programs.

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Lebanon, Connecticut conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies relating to the aforementioned grant programs.

Basis of Accounting

There are two sets of basic financial statements contained in the Town of Lebanon, Connecticut's annual report as required by GASB Statement No. 34. The government-wide financial statements are prepared on the accrual basis of accounting, whereas, the fund financial statements are prepared on the modified accrual basis of accounting. The following is a summary of such bases:

Accrual Basis - Government-wide financial statements:

- Revenues are recognized when they are earned.
- Expenses are recorded when they are incurred.

Modified Accrual Basis - Fund financial statements:

- Revenues are recognized when they become measurable and available. Available includes those property tax receivables expected to be collected within sixty days after year end. Miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Intergovernmental revenues, and interest income are accrued, when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available.
- Expenditures are recorded generally when the related fund liability is incurred. This includes reimbursable expenditures which have been incurred by the Town and therefore included in the accompanying schedule of expenditures of state financial assistance but which have not yet been reimbursed and are considered and recorded as accounts receivable. The determination of when an award is expended should be based on when the activity related to the award occurs. Exceptions to this general rule include principal and interest on general long-term debt which is recorded when due.

The Schedule of Expenditures of State Financial Assistance, contained in this report, is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

Town of Lebanon, Connecticut
Schedule of findings and questioned costs
For the year ended June 30, 2010

I. Summary of Audit Results

Financial Statements

Type of auditor's report issued: qualified

Internal control over financial reporting:

• Material weakness (es) identified?	<u> </u>	yes	<u>X</u>	no
• Significant deficiency (ies) identified?	<u>X</u>	yes	<u> </u>	none reported
• Noncompliance material to the financial statements noted?	<u> </u>	yes	<u>X</u>	no

State Financial Assistance

Type of auditors' report issued on compliance for major programs Unqualified

Internal control over major programs:

• Material weakness (es) identified?	<u> </u>	yes	<u>X</u>	no
• Significant deficiency (ies) identified?	<u> </u>	yes	<u>X</u>	none reported
• Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?	<u> </u>	yes	<u>X</u>	no

Major State Programs and percentage of coverage

- The following schedule reflects the major programs included in the audit. Sec. 4-230 of the Connecticut General Statutes states that a "major state program means any program, excluding an exempt program, determined to be a major state program by the independent auditor pursuant to the requirements of the risk based approach". Under step two of this process all Type A programs must be identified. Based on the Town of Lebanon, Connecticut's nonexempt expenditures of state financial assistance amount of \$1,072,248, a Type A program shall be considered a nonexempt state program for which the amount of state financial assistance expended under the program for the audit period equals or exceeds the larger of \$200,000 or two percent (2%) of the nonstate entity's total nonexempt state financial assistance program expenditures. The Town of Lebanon has no Type A programs for the current fiscal year based on the \$200,000 dollar threshold and therefore all of its programs would be considered Type B programs. In accordance with Subpart B of the risk assessment procedures contained in the annual state compliance supplement, a deviation from using the risk criteria will be used for the current fiscal year as this would be considered a first year audit under the new risk based approach. Accordingly, all Type A programs will be considered major in addition to any Type B programs necessary to meet the 50% coverage rule. The total nonexempt state financial assistance expended by the Town for the current audit period was \$1,072,248. The programs tested as major and shown below represent 57.41% of the total non-exempt state financial assistance expended.

State grantor and program	State grant program Core-CT number	Expenditures
Small town economic assistance program	12052-ECD46350-42411-2010	\$ 195,248
Town aid road grants	13033-DOT57131-43459-2010	115,935
Vocational agriculture	11000-SDE64370-17017-2010	154,431
Local capital improvement program	12050-OPM20600-40254-2010	150,000
		<u>\$ 615,614</u>

- Dollar threshold used to distinguish between Type A and Type B programs: \$ 200,000

Town of Lebanon, Connecticut
Schedule of findings and questioned costs (continued)
For the year ended June 30, 2010

II. Financial Statement Findings

- We issued our reports, dated November 5, 2010, on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*.
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting indicated three significant deficiencies. The details of these significant deficiencies can be found in the schedule of findings and questioned costs within the federal compliance section of these financial statements referenced to as item numbers 10-01 through 10-03 starting on page 68. We do not consider any of these significant deficiencies to be material weaknesses.

III. State Financial Assistance Findings and Questioned Costs

- No findings or questioned costs are reported relating to State financial assistance programs.